HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Q Super

QS67QW: Can you please advise what arrangements you have provided to defer the payment of rent for tenancies for assets owned by your fund as a result of keeping SMEs operational during the COVID-19 pandemic? And to what dollar value has that reduced revenue to your fund since 1 February 2020?

Answer: Not applicable. QSuper does not own 100% of any Australian real estate assets.

Assumption 1: The House of Representatives Standing Committee on Economics questions and interest relate to Australian real estate assets and tenants.

Assumption 2: The definition of 'assets owned by your fund' is any assets where QSuper owns 100% of the asset.

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

Q Super

QS68QW: Can you please advise what arrangements you have provided to defer the payment of rent for tenancies for assets controlled by your fund as a result of keeping SMEs operational during the COVID-19 pandemic? And to what dollar value has that reduced revenue to your fund since 1 February 2020?

Answer: QSuper holds a 50% investment in a Trust which owns several Brisbane CBD office buildings that are currently tenanted by the Queensland State Government entities. The portfolio does have a minor exposure to SMEs (approximately 0.4% of total fund revenue). Proactive action was taken to defer April 2020 rent payments.

On 7 April 2020, the National Cabinet released a mandatory Code of Conduct (the Code) relating to commercial leasing and SME's during COVID-19. Further discussions and information is being obtained via the Investment Manager from SME tenants to confirm qualification for and the calculation of any rental deferral amounts in line with the Code.

Assumption 1: The House of Representatives Standing Committee on Economics questions and interest relate to Australian real estate assets and tenants

Assumption 2: The definition of 'assets controlled by your fund' is any assets where QSuper holds an investment of 50% or more of the asset.

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

Q Super

QS69QW: Can you please advise what arrangements you have provided to adjust the payment of rent for tenancies for assets owned by your fund as a result of keeping SMEs operational during the COVID-19 pandemic? And to what dollar value has that reduced revenue to your fund since 1 February 2020?

Answer: Not applicable. QSuper does not own 100% of any Australian real estate assets.

Assumption 1: The House of Representatives Standing Committee on Economics questions and interest relate to Australian real estate assets and tenants

Assumption 2: The definition of 'assets owned by your fund' is any assets where QSuper owns 100% of the asset.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Q Super

QS70QW: Can you please advise what arrangements you have provided to adjust the payment of rent for tenancies for assets controlled by your fund as a result of keeping SMEs operational during the COVID-19 pandemic? And to what dollar value has that reduced revenue to your fund since 1 February 2020?

Answer: QSuper holds a 50% investment in a Trust which owns several Brisbane CBD office buildings that are currently tenanted by Queensland State Government entities. The portfolio does have a minor exposure to SMEs (approximately 0.4% of total fund revenue).

As per the response to QS68QW, a proactive approach was taken to defer April rents however further discussions are taking place with tenants and information is being sourced to confirm qualification for and the calculation of any rental adjustment amounts in line with the Code for SME commercial tenancies for the COVID-19 period.

Assumption 1: The House of Representatives Standing Committee on Economics questions and interest relate to Australian real estate assets and tenants

Assumption 2: The definition of 'assets controlled by your fund' is any assets where QSuper holds an investment of 50% or more of the asset.

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

Q Super

QS71QW: On 1 January 2020 what was your percentage share and nominal value of your listed and unlisted assets?

Answer:

Category	**Share of Total FUM (%)**	**Nominal Value $('000)**
Listed	76.92	69,119.76
Unlisted	23.08	20,738.99

Please note:

- The above excludes assets for Defined Benefit members managed and held by Queensland Treasury as well as funds held through QSuper's member-controlled Self Invest option.
- Unlisted assets are defined as assets held within the Infrastructure, Real Estate and Private Equity asset classes that are not listed on an exchange. All other assets are deemed to be listed assets.

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

QSuper

QS72QW: On 1 January 2020 did your fund have liquidity issues resulting from honouring obligations to members?

Answer:

No.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

QSuper

QS73QW: What write down, if any, has been made to the value of unlisted assets?

Answer: As at 17 April 2020, unlisted asset valuations have been written down by $2,171,206,127. This relates to multiple asset classes, including infrastructure, real estate and private equity. QSuper's approach for ensuring valuations are appropriate is summarised in our response to QS74QW.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Q Super

QS74QW: Listed companies holding infrastructure assets have had write downs of around 40 per cent:

a. How does this compare to your write down of unlisted assets?

b. If there is a difference, why is there a difference?

Answer: a. QSuper follows a well documented valuation process and investment governance framework that is regularly reviewed by experts and updated in line with best practice. For unlisted assets, the QSuper Valuation Policy (previously provided to the Committee) requires an independent valuation be struck by an expert and qualified valuer, at least annually. The external investment manager also completes a 'desktop' valuation on at least a quarterly basis. To the extent new information becomes known about an unlisted asset that is likely to have a material impact on the value to the QSuper Fund, the QSuper Valuation Review Panel (VRP) is required under the Valuation Policy to undertake a process of obtaining the best possible updated valuation information and adjust valuations outside of the normal valuation cycle. This process enables unlisted assets to be carried at a current and appropriate value ensuring member equity when transacting on their QSuper account.

The impact of COVID-19 on the value of unlisted assets is being considered on an ongoing basis in accordance with the QSuper investment governance framework. As a result, as at 17 April 2020, the valuations for QSuper's infrastructure assets have reflected an approximate weighted average 9.6% valuation impairment from the previous valuations held in QSuper's unit pricing records. Given the fluidity and uncertainty resulting from COVID-19, further adjustments are being made as additional information becomes known.

b. Any potential differences may be driven by a number of factors including but not limited to:

- Nature of Infrastructure assets: Infrastructure assets are highly heterogeneous, with assets even in the same sub-sectors exhibiting very different investment and risk/return characteristics. As a result, detailed analysis is required to assess the true value of each infrastructure asset with top down views within the same sub-sectors being potentially misleading because of differences related to regulation, age of asset, location, users and market size. The universe of listed infrastructure assets depending on the market can be quite small (especially in the transport space where many assets remain government owned or unlisted), and a relative comparison against unlisted infrastructure assets can be misleading.

- Illiquidity and Transaction costs: A key characteristic of unlisted infrastructure assets can be their size, together with their illiquid nature. Such assets can be closely held and trade irregularly especially where control >50% is sold. Buying or selling an unlisted asset takes place with very different disclosures than a listed stock which has regulated disclosure requirements mandated by a stock exchange. An unlisted sale therefore takes a longer time and incurs higher transaction costs to conduct. As a result, the "willing buyer" and "willing seller" for unlisted infrastructure assets have very different requirements and processes to their equivalent in the listed markets.
- Valuation methodologies: Infrastructure valuations are typically informed by using base case forecasts and assumptions, which are often modelled out greater than 20 years or more. Valuations are typically undertaken using a discounted cashflow methodology. The valuation process will typically use listed comparables as a cross-check and to the extent there are differences in the valuation level, it can typically be rationalised through observable differences in the businesses risk profiles recognising (as noted above) that infrastructure assets are highly heterogenous. In contrast, the share price of listed entities is a reflection of various factors, including speculation based on publicly available information as well as market sentiment. It often does not represent a reflection of the long-term true value of a business.
- Asymmetry of information: Unlike listed markets, direct owners of infrastructure have timely access to management information and forecasts, which enables more informed decisions to be made. A number of direct investors also require minimum governance rights (e.g. board representation and negative control rights) in portfolio companies, which allow direct investors, through direct influence or control, adjustment of business plans. This is in contrast to listed investments where investors typically operate indirectly to influence or change strategy or business plans.

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

QSuper

QS75QW: Have you had any liquidity issues in honouring your obligations to members as a result of the:

a. recent decline in the share market?

b. permission by the Federal government to allow members to remove up to $10,000 per financial year if they lose their job?

Answer:

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

a. recent decline in the share market?

QSuper has not had liquidity issues in honouring its obligations to members as a result of recent decline in the share market.

b. permission by the Federal government to allow members to remove up to $10,000 per financial year if they lose their job?

To date, QSuper has not had any liquidity issues in honouring our obligations to members as a result of the permission by the Federal government to allow members to remove up to $10,000 per financial year if they lose their job.

In addition, QSuper does not expect that it will have any liquidity issues in honouring these obligations. It is very difficult to precisely estimate the quantum of "early access" withdrawals. For liquidity management purposes, we are appropriately using conservative assumptions.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Q Super

QS76QW: What has been the current reduction of the value of your fund, and the unlisted and listed components since 1 January 2020?

Answer:

Category	**Reduction in Value $('000)**
Total Fund	3,788.17
Unlisted	885.36
Listed	2,902.81

Please note:

- The above represents the reduction in value over the period 1 January 2020 to 17 April 2020.
- It is important to note that the above reductions are not driven solely by investment performance and valuations.
- As per QS73QW, the write-down of unlisted assets amounted to AUD 2,171 million.
- The weaker Australian dollar since 1 January 2020 had a positive effect on the value of QSuper's foreign currency denominated unlisted assets and cushioned the impact of the write-downs on QSuper's unlisted assets.

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

Q Super

QS77QW: How many members have requested the early release of their superannuation since 12 March 2020, and to what value?

Answer:
From 12 March 2020 and up to and including 26 April 2020:

Number of Requests Received	Value of Requests Received
11,343	$90,005,578.72

Please Note:

- QSuper has interpreted this question to be referring to Early Release of Superannuation measures contained in Schedule 13 of the Coronavirus Economic Response Package Omnibus Act 2020.
- QSuper receives requests to release funds to members from the Australian Taxation Office (ATO). The ATO approves the request prior to sending to QSuper.
- To ensure accuracy of the data included in this response, QSuper has applied a cut-off date of 26 April 2020.
- Ongoing monthly updates utilising a cut-off date of 2 business days prior to the end of the month, will be supplied to the Committee Secretariat on the first day of each month for the remainder of 2020.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Q Super

QS78QW: How many members have had approved the early release of their superannuation since 12 March 2020, and to what value?

Answer:
From 12 March2020 and up to and including 26 April 2020:

Number of Payments Made	Value of Payments Made
7,273	$62,079,291.58

Please Note:
- QSuper has interpreted this question to be referring to Early Release of Superannuation measures contained in Schedule 13 of the Coronavirus Economic Response Package Omnibus Act 2020.
- To ensure accuracy of the data included in this response, QSuper has applied a cut-off date of 26 April 2020.
- Ongoing monthly updates utilising a cut-off date of 2 business days prior to the end of the month, will be supplied to the Committee Secretariat on the first day of each month for the remainder of 2020.
- QSuper receives requests to release funds to members from the Australian Taxation Office (ATO). The ATO approves the request prior to sending to QSuper.
- The difference between the approved requests received, see response to QS77QW, and requests paid is as a result of requests received that have not yet been processed by QSuper. Payments are made within 5 business days of receipt of the application from the ATO.
- Excluding requests that QSuper has been unable to pay or pay in full, see response to QS79QW, QSuper has fully complied with the payment timeframe guidelines stipulated by the Australian Prudential Regulation Authority (APRA).

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Q Super

QS79QW: If some members have required the early release of their superannuation since 12 March 2020 and not been approved, please provide details of the grounds on which they have not been approved.

Answer:
Since 12 March 2020 and up to 26 April 2020:

- Ten requests have been received from the Australian Taxation Office (ATO) that QSuper has partially paid because the members did not hold a high enough superannuation balance to pay the request in full. QSuper paid the remaining balance of their account to these members;
- Four requests have been received from the ATO that QSuper has not processed due to the requesting members no longer holding a superannuation balance with QSuper;
- One request received from the ATO has not been processed because of suspected fraud;
- One request received from the ATO was subsequently formally revoked by the ATO before payment was processed.

Please note:

- QSuper has interpreted this question to be referring to Early Release of Superannuation measures contained in Schedule 13 of the Coronavirus Economic Response Package Omnibus Act 2020.
- To ensure accuracy of the data included in this response, QSuper has applied a cut-off date of 26 April 2020.
- Excluding requests referred to in this response, QSuper has fully complied with the payment timeframe guidelines stipulated by the Australian Prudential Regulation Authority (APRA).

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

QSuper

QS80QW: Liquidity management:

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

Answer:

a. What is your fund's process for complying with APRA's prudential framework which requires trustees to have a liquidity management plan?

- Liquidity risk has been designated as a "Board Material risk", which undergoes monitoring and quarterly reporting of this risk to the Audit & Risk Committee and Board, in line with QSuper's Risk Management framework.
- QSuper has a Board-approved Liquidity Risk Management Policy which covers the fund liquidity and the liquidity of each investment option. The policy addresses measurement, on-going management of liquidity risk (including forecasting liquidity and conducting stress scenarios) and reporting requirements. The policy identifies the impact of adverse liquidity scenarios on various aspects of the Fund's liquidity and describes possible actions that can be taken to manage and restore liquidity under these circumstances.
- QSuper has a dedicated Capital Markets function which has accountability for managing the liquidity of the Fund. Liquidity is monitored on a daily basis. This team manages QSuper's cash portfolios and is able to directly action any liquidity requirements of the Fund and its options.
- Liquidity updates are provided to the Investment Committee at least 4 times a year. Currently, updates are being provided to the Board and Investment Committee on a monthly basis or as market movements require.

b. How is the plan being reported to the trustee directors?

- The liquidity of the Fund is formally reported at least 4 times a year to the Investment Committee of the Board. Two of these are presentations by the Head of Capital Markets to the Investment Committee and the other two are in the form of reports.
- The liquidity report includes: overall liquidity of the Fund and its Investment Options, liquidity forecasts, stress testing and an analysis on how quickly all assets can be converted to cash.

- Given the current volatile markets a liquidity update is being provided to the Board at every meeting until further notice.

c. Who is responsible for the day-to-day liquidity management for the fund?

- The Capital Markets team (within the Investments Division) is responsible for the day to day management of the liquidity of the Fund.
- The team uses a suite of portfolio management techniques to create liquidity as needed, and to transfer liquidity within the Fund to where the requirements are.
- The team also manages QSuper’s cash portfolios and interacts in the cash markets on a daily basis, both domestic and those located off-shore.