

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

#### REST

#### REST111QW:

Since 1 January 2020, for each fund, please outline:

- a. The date and value at the highest valuation of the fund?
- b. The date and value at the lowest valuation of the fund?
- c. The number of business days between the highest and lowest valuation for the fund?
- d. The nominal value between the highest and lowest valuation for the fund?
- e. The percentage value between the highest and lowest valuation for the fund?
- f. The number of business days between the date of the ASX's lowest valuation, and the lowest day for the valuation of the fund?
- g. The number of business days between the date of the ASX's lowest valuation, and the lowest valuation of unlisted assets in the fund?
- h. What volume of switching of investments occurred between funds between the highest and lowest valuations?
- i. What volume of switching between funds occurred in that time by trustees of the fund that are also members of the fund, between the highest and lowest valuations?
- j. What volume of switching between funds occurred in that time by executives of the fund that are also members of the fund, between the highest and lowest valuations?
- k. What volume of switching between funds occurred in that time by other employees of the fund that are also members of the fund, between the highest and lowest valuations?
- l. What integrity measures were taken to prohibit trustees, executives and employees switching between funds from taking advantage of arbitrage of any gap between the lowest valuation date of the ASX and any revaluation of the fund?

**Answer:**

**See following pages**

	a.	a.	a.	b.	b.	b.	c.	d.	e.	f.	g.
<b>Fund Accumulation Investment Option (See notes below)</b>	Date of highest valuation (Note 1)	Value of highest valuation unit Price (Note 2)	Value of \$FUM, on day of highest unit price valuation (\$) (Note 3)	Date of lowest valuation (Note 4)	Value of lowest valuation (Note 5)	Value of \$FUM, on day of lowest unit price valuation (\$) (Note 6)	Number of business days between highest and lowest valuation (Note 7)	Nominal valuation between highest and lowest valuation (\$) (Note 8)	Percentage value between highest and lowest valuation (Note 9)	Business days between the date of the ASX's lowest valuation, and the lowest day for the valuation of the fund (Note 10)	Business days between the date of the ASX's lowest valuation, and the lowest valuation of unlisted assets in the fund (Note 11)
Core Strategy	22/02/2020	1.87	51,914,291,510.76	25/03/2020	1.61	45,595,125,864.03	22	7,916,935,891	-13.9%	2	45
Capital Stable	22/02/2020	3.52	1,055,803,056.59	25/03/2020	3.24	1,038,905,687.73	22	121,043,158	-7.8%	2	45
Balanced	22/02/2020	4.32	1,729,599,424.32	25/03/2020	3.80	1,502,539,790.95	22	268,394,790	-12.1%	2	45
Balanced - Indexed	22/02/2020	1.21	141,230,708.34	25/03/2020	0.94	118,606,154.82	22	56,305,111	-22.5%	2	0
Diversified	22/02/2020	5.58	646,364,588.96	25/03/2020	4.66	540,221,826.10	22	128,537,138	-16.6%	2	45
High Growth	22/02/2020	6.38	1,860,281,007.76	25/03/2020	5.09	1,495,891,417.53	22	444,690,029	-20.2%	2	45
Basic Cash	28/05/2020	1.28	256,310,271.45	1/01/2020	1.28	85,640,959.04	102	202,572,633	-0.2%	58	0
Cash	30/06/2020	2.24	1,251,118,947.17	1/01/2020	2.23	705,744,592.39	124	726,950,651	-0.5%	58	0
Bonds	7/03/2020	2.94	109,807,776.92	24/03/2020	2.82	113,934,111.82	11	28,537,238	-4.3%	1	0
Shares	22/02/2020	7.81	209,309,836.86	25/03/2020	5.71	153,508,638.48	22	71,491,013	-27.0%	2	0
Property	14/03/2020	4.87	195,235,323.15	28/03/2020	4.46	172,219,033.82	9	78,180,309	-8.3%	4	4
Australian Shares	24/01/2020	9.39	483,578,593.74	25/03/2020	6.24	340,058,510.13	42	193,215,296	-33.5%	2	0
Australian Shares - Indexed	22/02/2020	1.28	71,855,168.78	25/03/2020	0.86	51,702,083.30	22	49,753,834	-32.7%	2	0
Overseas Shares	22/02/2020	4.28	229,000,011.98	25/03/2020	3.32	176,044,818.89	22	69,928,226	-22.5%	2	0
Overseas Shares - Indexed	22/02/2020	1.30	85,314,224.61	25/03/2020	1.01	70,661,760.32	22	34,289,209	-22.1%	2	0
ASX All Ordinaries Index	20/02/2020		7,255.17	23/03/2020		4,564	22		-37.1%	-	0

<b>Notes</b>	
Data shown for the period 1 January 2020 to 30 June 2020. \$FUM values have been impacted not only by asset valuation changes, but also factors including member switches, rollovers, contributions, early release and other account transactions, and asset allocation changes to the Core Strategy. \$FUM and unit price high and low days may also differ due to unit price calculation timing.	
Note 1	Value date represented by highest super unit price value (excluding ASX All Ordinaries Index)
Note 2	Value represented by super unit price value (excluding ASX All Ordinaries Index)
Note 3	Using day of highest unit price valuation, or if that day is not a weekday, the next business day. May not be highest outright \$FUM day during period.
Note 4	Value represented by super unit price (excluding ASX All Ordinaries Index)
Note 5	Value represented by super unit price for investment options.
Note 6	Using day of lowest unit price valuation, or if that day is not a weekday, the next business day. May not be lowest outright \$FUM day during period.
Note 7	Using highest and lowest unit price valuation dates (excluding ASX All Ordinaries Index)
Note 8	Including both super and pension products actual outright \$FUM high and low valuation per investment option (not necessarily unit price highest and lowest valuation dates). Unlike unit price valuation comparisons, \$FUM balance shown not exclusively impacted by market valuations - it is also impacted by member switches, rollovers, contributions, early release and other account transactions and asset allocation changes (for the Core Strategy). It may differ to the \$FUM nominal valuation changes between the high and low unit price dates shown in a. and b.
Note 9	Calculated as (lowest unit price / highest unit price) -1
Note 10	The lowest valuation of the Cash and Basic Cash investment options occurred prior to the lowest day of the All Ordinaries index - resulting in a negative (earlier) occurrence.
Note 11	The Property option is the only investment option with 100% unlisted assets, and where a lowest unit price valuation date has been available and used for comparison. For other structured investment options which include some allocation to unlisted assets including Property, Infrastructure, Credit, Private Equity and Agriculture, the date of the ASX's low has been compared to the date of the lowest Trustee-level \$FUM valuation of the <i>combined</i> unlisted asset classes (which includes not only asset valuation changes but also the impact of member switches, rollovers, contributions, early release and other account transactions, and asset allocation changes to the Core Strategy).

<b>Question</b>	<b>Volume</b>	<b>Notes</b>
<b>h.</b>	\$2,484,220,518	All switches between all investment options between 1 January and 30 July 2020, valuation based on "Sell" price Given the range of investment options, invested in various asset classes, there is no single highest or lowest valuation date across the fund as a whole.
<b>i.</b>	\$2,143,348	
<b>j.</b>	\$465,949	
<b>k.</b>	\$10,234,613	

I. All Rest investment option unit prices are priced at the next available opportunity (usually daily) following a transaction request, which means that the timing of pricing inhibits arbitrage as the investor will not know in advance the price at which a transaction will occur.

The Rest Code of Conduct applies to all employees and directors. It includes obligations to ensure that employees do not misuse information obtained in the course of their duties in an improper way. It also requires compliance with the law and other regulatory obligations. To the extent that an employee or director had knowledge in relation to valuations, to act on that for their own benefit ahead of it being generally available to members would be a breach of the Code of Conduct and likely lead to termination.

In addition, the Personal Trading Policy applies to all staff and directors, and requires all personal investment decisions to be made in a responsible and lawful manner and never in conflict with members' best interests. It expressly recognises that Staff should not personally transact in Rest investment options if there could be a legitimate concern in relation to a transaction, an example of which would be trading while in possession of inside information on valuations. That Policy also imposes an obligation to seek "trading clearance" for investment decisions (including any in Rest options) on "Access Persons". "Access Persons" are those that generally have access to sensitive information in relation to investments, and includes the Board, Executives, the Investment team, Risk & Governance team, and the Finance team. Failure to comply with the Trading Policy is considered a serious disciplinary matter. The Investment Legal and Governance Team perform checks of Access Persons transactions in Rest options regularly to monitor compliance with the Personal Trading Policy.

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#### REST

#### REST112QW:

On financial advisers providing non-intrafund advice (i.e. comprehensive advice - beyond the scope of intrafund advice) within the fund over the past five financial years:

- a. How many do you employ (or are you paying for through outsourced arrangements)?
- b. What is the revenue generated from these non-intrafund advisers?
- c. How many financial advisers within the fund also provide intrafund advice?
- d. If you have non-intrafund financial advisers within the fund also providing intrafund advice, how is their remuneration determined from different sources?
- e. Is there any cross-subsidisation for non-intrafund financial advisers within the fund from activities funded through intrafund advice?
- f. Is there any cross-subsidisation for financial advisers from intrafund advice to non-intrafund financial advisers within the fund?
- g. What is the total budgeted cost and actuals for financial advisers?
- h. What is the remuneration level/range for the financial advisers employed to provide non-intrafund advice to your members?
  - i. What is the aggregated cost of their remuneration?
  - ii. What is the aggregated cost for their employment?
  - iii. What is the aggregated cost for their on-costs, including but not limited to, superannuation, leave, training support and office space?
  - iv. What is the aggregated cost for marketing their services?
  - v. What is the aggregated cost for administrative support services?
  - vi. What is the aggregated cost for professional insurance and indemnity?
  - vii. What is the aggregated cost for compliance oversight?
  - viii. What is the aggregated cost for legal oversight?
  - ix. What is the aggregated cost for other regulatory oversight?
  - x. What is the aggregated cost for the unit, including overheads, that provides financial advice within the fund?

**REST113QW:**

On financial advisers providing intrafund advice (i.e. strictly limited to advice on your super fund for the member only - not spouse) within your fund over the last five financial years:

- a. How many do you employ (or are you paying for through outsourced arrangements)?
- b. What is the remuneration level/range for the financial advisers employed to provide intrafund advice to your members?
  - i. What is the aggregated cost of their remuneration?
  - ii. What is the aggregated cost for their employment?
  - iii. What is the aggregated cost for their on-costs, including but not limited to, superannuation, leave, training support and office space?
  - iv. What is the aggregated cost for marketing their services?
  - v. What is the aggregated cost for administrative support services?
  - vi. What is the aggregated cost for professional insurance and indemnity?
  - vii. What is the aggregated cost for compliance oversight?
  - viii. What is the aggregated cost for legal oversight?
  - ix. What is the aggregated cost for other regulatory oversight?
  - x. What is the aggregated cost for the unit, including overheads, that provides intrafund advice?
- c. What is the revenue that intrafund advisers have generated?
- d. How many financial advisers providing intrafund advice also provide it within the fund?
- e. If you have financial advisers providing intrafund advice also providing it within the fund, how is their remuneration determined from different sources?
- f. Is there any cross-subsidisation for financial advisers providing intrafund advice from revenue funded through activities within the fund?
- g. What is the total budgeted cost and actuals for the intrafund advice unit?
- h. What is the revenue generated from these financial advisers?
- i. Within your fund, is there any cross-subsidisation for intrafund advice services?

## **ANSWERS:**

### **REST112QW and REST113QW:**

The nature of advice provision by Rest has changed over time:

- Prior to the financial year 2016/17, Rest outsourced all financial advice services, including general advice, intra-fund advice (phone based) and personal advice (excluding intra-fund) to our superannuation administrator AAS (now Link Group).
- From late 2016, advice was provided jointly between the outsourced provider and Rest. Rest advisers operate under an outsourced AFSL arrangement with compliance and oversight provided by the external AFSL.
- From January 2018 to now, all intra-fund and non-intra-fund personal advice is provided by the Rest Advice team, and general advice continues to be provided by the outsourced contact centre.

Rest advisers are paid a flat salary and not paid any bonuses. Bonuses paid to any staff of outsource providers under our previous model was not a matter of Rest direction and are commercial arrangements of those providers.

It is not possible to disaggregate the costs of provision of general, intra-fund and non-intra-fund advice between Compliance, legal and regulatory oversight or overheads as these services share staff and other resources. We have provided the overall total advice provision costs where this was possible to do so.

### **Office costs and training**

Rest estimates that per staff member, our office costs is \$7,800 p.a. and that our employee training costs are \$1,500 p.a. In addition to this, our external AFSL arrangement costs include Continuing Professional Development costs and Professional Development days. Rest Advisers also undertake self study to upskill to meet any FASEA education gap requirements with reimbursement provided upon successful completion, approximately \$20,000 was reimbursed in 19/20 FY.

### **Marketing and legal oversight**

Rest advice has not directly engaged any external legal advice or marketing. Any legal advice has been provided by Rest's inhouse legal team. Any marketing activities have been limited to branding and communications to members and have been provided by Rest's inhouse marketing team. It is not possible to separate the costs of these services between advice and other business units within Rest.

### **Professional insurance and indemnity and compliance and regulatory oversight.**

Rest advice is provided under authorisation from Link Advice Pty Ltd. Professional indemnity insurance is provided as part of the overall cost of this outsourced AFSL and includes compliance and regulatory oversight. The breakup between insurance and compliance and regulatory oversight is not possible. Rest do employ a compliance manager within the Rest advice unit to manage the relationship with the external AFSL and assist with day to day risk and compliance obligations.

## External AFSL licensing costs

We pay a flat ongoing support fee in addition to individual licencing and training fees per adviser as part of the external AFSL agreement. The cost is not impacted by the amount of advice provided, only by the number of authorised advisers. The specific cost of this service is commercial-in-confidence and will not be provided here.

## Employed Advisers (intra-fund and non-intrafund)

Financial Year	Total Number of employed advisers <sup>4</sup> (including advisers we are paying for through outsourced arrangement)	Rest employed advisers who are 100% intra-fund (from total number)	Rest employed advisers who provide intra-fund and non-intra-fund (from total number)
2015 / 2016 FY	16	n/a (outsourced)	
2016 / 2017 FY	14	3	0
2017 / 2018 FY	10 <sup>1</sup>	3	3
2018 / 2019 FY	10 <sup>2</sup>	7	3 <sup>2</sup>
2019 / 2020 FY	11 <sup>2</sup>	7	4 <sup>2</sup>

<sup>1</sup> This year contains a mixture of both an outsourced arrangement and employed advisers

<sup>2</sup> Of the Rest employed advisers, approximately 95% of the advice provided is intra-fund advice.

<sup>4</sup> The total number of advisers includes the Rest Advice team manager who is also an Authorised Representative

The details of Rest staff remuneration is confidential.

## Charging of Fees

As a trustee that is a registrable superannuation entity (RSE) licensee, under the Stronger Super reforms, we have been able to offer intra-fund advice to members of the fund since 1 July 2013.

The objective of the intra-fund advice is to enable superannuation funds to provide a member with simple, non-ongoing personal advice on the member's interest in the fund and this advice can be collectively charged across the fund's membership.

'Intra-fund advice' refers to the types of advice, such as investment choice, contributions, insurance, and pension options that a superannuation trustee can provide to members where the cost of the advice is borne by all members of the fund. This does not include super consolidation or broader retirement advice.

Rest does not generate revenue from intra-fund advice. The costs of providing intra-fund advice are allocated from the administration costs of the fund.



**Cost of providing personal advice (including both intra-fund and non-intrafund) to Rest members**

The below costs have been determined by calculating office costs, total remuneration, training, licensing (including software) as well as any outsource provider costs. Previous years' additional costs of the outsourced service provided by Link Group is confidential.

<b>Financial Year</b>	<b>Cost</b>
2015 /2016 FY	\$1.25 million
2016 / 2017 FY	\$1.93 million
2017 / 2018 FY	\$3.48 million
2018 / 2019 FY	\$3.16 million
2019 / 2020 FY	\$2.72 million

**Revenue**

<b>Financial Year</b>	<b>Invoices/Revenue from non-intra-fund advice (includes GST)</b>
2015 /2016 FY	Outsourced arrangement
2016 / 2017 FY	Outsourced arrangement
2017 / 2018 FY	\$4,455
2018 / 2019 FY	\$14,470
2019 / 2020 FY	\$23,310

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SUPERANNUATION SECTOR**

**REST**

**REST114QW:** Do you allow members to use their funds to pay for:

- a. Financial advice?
- b. Internal financial advisers?
- c. External financial advisers?

**ANSWERS:**

Rest does not allow members to use their funds to pay for financial advice, either by internal or external advisers.

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**REST**

**REST115QW:** Do you allow external financial advisers access to online facilities to charge for external financial advisers consented by members using their funds?

**ANSWERS:**

Rest does not have any online adviser portals. Additionally, we do not have any arrangements in place with external advisers to allow them to submit any fee payment/charge requests through for a members account. External advisers have the ability to use a third party authority to access information on a members account, if the member consents, via our call Centre.