

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS
REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS
SUPERANNUATION SECTOR

Sunsuper

SS67QW:

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:

We maintain regular contact with our investment managers who have been negotiating with tenants both prior to and post the announcement of the Commercial Tenancy Code of Conduct (Code).

Some retail tenants and restaurant operators were provided rental abatements ahead of the introduction of the Code. These negotiations are ongoing and being conducted appropriately at arms length to Sunsuper. Many of these negotiations we understand to be fluid, and ongoing and as such the precise impact is yet to be accurately quantified, and we anticipate will change and likely roll into the next financial year.

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Sunsuper

SS68QW:

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:

Please refer to the response provided for SS67QW.

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Sunsuper

SS69QW:

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:

Please refer to the response provided for SS67QW.

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Sunsuper

SS70QW:

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:

Please refer to the response provided for SS67QW.

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SS71QW:

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

Answer:

The percentage share and nominal value of Sunsuper's listed and unlisted assets as at 1 January 2020 are referenced below:

Classification	AUD \$(m)	%
Listed	53,359	73
Unlisted	19,880	27
Total	73,239	100

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SS72QW:

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

Answer:

No.

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Sunsuper

SS73QW:

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

Answer:

The performance of our unlisted assets, which includes any write downs, over Q1 2020 is shown in the table below.

Returns to 31 March 2020	3 months %
Property	-6.3
Private capital	-10.1
Infrastructure	-6.2
Alternative strategies	-7.9
Other pooled funds	-4.6

**All international exposures are hedged into A\$.*

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SS74QW:

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. As outlined in SS73QW, the write downs from the 31 December 2019 carrying value for Sunsuper's diversified pool of unlisted infrastructure companies was -6.2% to 31 March 2020.
- b. A basic tenet of investing is that different assets and different asset classes exhibit different returns. Just as assets within an asset class are not uniform, asset classes are also not uniform. Different forms of asset ownership and capital structures are chosen in the market, and Sunsuper invests on behalf of our members to seek diversification of risk and harvest prudent returns.

The difference between listed and unlisted markets is a worldwide phenomenon, and not a construct of either government nor the superannuation industry.

Relative movements rely on assessments as to whether the comparator asset was over-valued prior to any write down, whether the asset is a regulated utility or GDP exposed, sector specific characteristics, comparative timeframes and (as market movements have continued to demonstrate) any point in time comparison is likely to be challenged by dynamic, and meaningfully volatile markets.

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SS75QW:

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:

- a. No. The recent decline is less than the market stress scenario included in our regular liquidity stress testing.
- b. No. While this scheme changed our anticipated liquidity needs, we were able to meet the new requirements.

This change did cause us to bring forward a range of actions in anticipation of 20 April, given the reality that demand was not able to be accurately forecast. As such we undertook a range of actions to provide for additional liquidity (other than what we would have, had the scheme not been introduced).

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SS76QW:

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

Answer:

The performance of the unlisted and listed components over Q1 2020 are referenced below.

Returns to 31 March 2020	3 months %
Listed	-14.0
Unlisted	-8.0
Total	-12.3

**All international exposures are hedged into A\$.*

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Sunsuper

SS77QW:

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

Please also provide monthly updates on the first of the month for the remainder of 2020 to the secretariat.

Answer:

Early access to superannuation is made under three primary categories:

1. Severe Financial Hardship: administered by Sunsuper.

Members who are under their superannuation preservation age must meet two conditions.

- have received eligible government income support payments continuously for 26 weeks and
- can demonstrate they are unable to meet reasonable and immediate family living expenses.

A member can only take one payment on grounds of Severe Financial Hardship in any 12-month period.

Members who have reached their superannuation preservation age plus 39 weeks can access a proportion of their superannuation where they are not gainfully employed when they apply for access to their superannuation (there are no cashing restrictions).

In the period 12 March 2020 to 27 April 2020, requests totalling approximately \$2.7 million were received from 550 members.

2. Normal compassionate release: administered by the ATO.

Compassionate grounds include funds required for:

- medical treatment and medical transport
- palliative care
- making payments on home loans or council rates
- accommodating a disability
- expenses associated with death, funeral or burial of a dependant

In the period 12 March 2020 to 27 April 2020, requests totalling approximately \$4.8 million were received on behalf of 470 members.

3. COVID compassionate payments: administered by the ATO.

Individuals self-assess their eligibility with the ATO and can access their superannuation if they satisfy one or more of the following criteria:

- are unemployed
- are eligible to receive specified government income support payments
- on or after 1 January 2020, the individual was either:
 - o made redundant
 - o had working hours reduced by 20% or more
 - o if a sole trader, business was suspended, or turnover reduced by 20% or more.

In the period 12 March 2020 to 27 April 2020, requests totalling approximately \$491.6 million were received on behalf of 66,279 members.

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SS78QW:

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

Please also provide monthly updates on the first of the month for the remainder of 2020 to the secretariat.

Answer:

Refer to the response to SS77QW for details of the types of early release payments that can be made to members.

1. Severe Financial Hardship payments¹
In the period 12 March 2020 to 27 April 2020, Sunsuper made payments totalling approximately \$2.6 million to 324 members.
2. Compassionate release payments¹
In the period 12 March 2020 to 27 April 2020, Sunsuper made payments totalling approximately \$5.8 million to 295 members.
3. COVID Compassionate release payments
In the period 12 March 2020 to 27 April 2020, Sunsuper made payments totalling \$461.1 million to 61,568 members.

At 27 April the payment rate of valid applications received was 95% in total², with 99.9% of these being paid within 1 business day and 100% being paid within five days.

¹ Note that the number of payments made from 12 March 2020 includes requests received prior to 12 March 2020.

² This accounts for applications received on 27 April that were pending processing including any applications where data discrepancies were pending resolution or potentially fraudulent / suspect claims were being investigated

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SS79QW:

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:

The circumstances under which payments may not be approved or otherwise made to members include:

Financial hardship early release payments:

- No funds are available in the member account to make the payment
- Cancellation / revocation by the member
- Member does not meet the criteria for payment eligibility (refer response to SS76QW for an outline of the eligibility criteria)

Compassionate early release payments:

- No funds are available in the member account to make the payment
- Cancellation / revocation by the member

COVID compassionate early release payments:

- No funds are available in the member account to make the payment
- Cancellation / revocation by the member
- The member does not hold an accumulation superannuation account

Additionally, any early release payment may be rejected on the following grounds:

- the claim is determined to be fraudulent
- a family law flag has been placed on the account
- a bankruptcy flag has been placed on the account
- name and date of birth discrepancies cannot be resolved
- the request is otherwise unable to be matched to a member account
- rejection by the receiving financial institution that cannot be resolved

Payment requests received from the ATO may also be for an amount that exceeds the member's current account balance. In this case the full amount of the member account balance is released.

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SS80QW:

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. Sunsuper's Liquidity Policy outlines the Liquidity Management Plan.
- b. The Liquidity Policy is reviewed annually, and liquidity stress testing is conducted and reported regularly to the Investment Committee, and through the Investment Committee to the Board.

Regular risk reporting including evaluations of liquidity in accordance with the Liquidity Management Plan is reported at each Investment Committee, and to the Board.

Given the current stress in markets, the Sunsuper Trustee Board is meeting regularly and is provided with an update on liquidity management.

- c. Day to day liquidity management of the fund is the responsibility of the Chief Investment Officer.