

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

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

**TWUSUPER**

**TWU101QW:**

Please advise the total remuneration package of your:

- a. company secretary, and
- b. Chief Executive Officer, including:
  - i. total remuneration
  - ii. base salary
  - iii. annual bonuses
  - iv. deferred bonuses
  - v. equity or other options
  - vi. additional compensation not covered in the above.

**Answer:**

The Company Secretary and CEO is the same person.

Remuneration details of executive managers including the Chief Executive Officer are disclosed on the Fund's website (see link below) in accordance with the requirements to disclose executive salaries on the website as set out in Section 29QB of the Superannuation Industry (Supervision) Act 1993 and Regulation 2.37 of the Superannuation Industry (Supervision) Regulations 1994.

<https://www.twusuper.com.au/assets/Documents/executive-remuneration.pdf>

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**TWUSUPER**

**TWU102QW:**

For each year of the past decade, please advise the:

- a. annual remuneration of the average worker who contributes to your fund
- b. average annual superannuation contribution from an employee to your fund
- c. multiple your CEO is remunerated compared to the annual remuneration of the average worker who contributes to your fund.

**Answer:**

TWUSUPER is not provided with member remuneration data and member remuneration cannot be readily inferred from member contribution rates.

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

#### TWUSUPER

#### TWU103QW:

In the context of marketing and advertising campaigns:

- a. How many is your fund currently running individually, or in collaboration with others?
- b. How many have run, or are currently running since the beginning of calendar year 2020?
- c. What is the actual cost for each campaign (including development, production, broadcasting, and distribution) to 30 June 2020?
- d. What is the actual cost for each campaign (including development, production, broadcasting, and distribution) budgeted?
- e. What is the budgeted cost for each campaign (including development, production, broadcasting, and distribution) from 1 July 2020 – 31 December 2020?
- f. What is the budgeted cost for any existing or proposed campaigns (including development, production, broadcasting, and distribution) for the period 1 January 2021 – 30 June 2021?
- g. What is the budgeted cost for any existing or proposed campaigns (including development, production, broadcasting, and distribution) for the period 1 July 2021 – 31 December 2021?

#### Answer:

- a. TWUSUPER is conducting general brand awareness and a series of education campaigns currently on various topics.
- b. As above, as well as COVID-19 and Early Release information to help members.
- c. Services across marketing and advertising are bundled and it is not possible to separate line items quantifying all development, production, broadcasting and distribution costs. The Fund produces a range of materials that are designed to both engage and help members improve their future, their understanding of services such as insurance as well as engagement with the Fund.
- d. As above.
- e. As per question c. Services across marketing and advertising are bundled and it is not possible to separate line items quantifying all development, production, broadcasting and distribution costs.
- f. As per question c. Services across marketing and advertising are bundled and it is not possible to separate line items quantifying all development, production, broadcasting and distribution costs.
- g. Any future expenditure in this timeframe has not been considered.

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**TWU104QW:**

For each of the following categories, please provide the percentages of employees that are women, men, or who identify otherwise:

- a. all employees
- b. non-executive employees
- c. executive employees
- d. senior executive employees.

**Answer:**

As at 1<sup>st</sup> January 2020:

- a. All employees 60% are men and 40% are women
- b. Non-Executive Employees 52% are men and 48% are women
- c. Executive Employees within the Executive 88% are men or 33 % of total male employees and 12% are women being 7% of total female employees
- d. Senior Executive Employees - not distinguished from Executive Employees.

It is noted that the identification of employees who do not identify as a women or a man is irrelevant to the work performed and therefore would be discriminatory to ask employees for such identification.

Notes – I have included all the Management team as Executive employees.

As at 1<sup>st</sup> January there were 35 staff, of which 8 have been classified as Executive. From an FTE perspective there were 34 however I have calculated based on number of heads.

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**TWU105QW:**

Do you have a target for the employment of:

- a. women as a share of:
  - i. all employees?
  - ii. executive employees?
  - iii. senior executive employees?
- b. people who are gender non-binary as a share of:
  - i. all employees?
  - ii. executive employees?
  - iii. senior executive employees?

**Answer:**

There are no employment targets for women or gender non-binary as a share of all employees, executive employees and senior executive employees. Employment is based on equity, fairness and inclusion.

It is noted that the identification of non-binary employees is irrelevant to the work performed and therefore would be discriminatory to ask employees for such identification.

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**TWU106QW:**

Since the introduction of Superstream, which has standardised the transfer of funds, has there been:

- a. A reduction in the cost to the fund for transferring funds, and if so, by how much?
- b. A reduction in the fees charged to members reflecting any saving, and if so, by how much?

**Answer:**

The Fund has a contract in place with its Administrator under a bundled services arrangement. The introduction of Superstream and other straight through processing has delivered cost savings for funds and their members. These savings have been offset by costs associated with expanded product and service offering, expanded compliance and other reporting obligations.

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**TWU107QW:**

Greenhouse gas emissions

- a. Does your fund have an internal target for your own greenhouse gas emissions footprint by:
  - i. 2030?
  - ii. 2035?
  - iii. 2040?
  - iv. 2045?
  - v. 2050?
- b. Does your fund have a target for reducing greenhouse gas emissions from investments by:
  - i. 2030?
  - ii. 2035?
  - iii. 2040?
  - iv. 2045?
  - v. 2050?
- c. Does your fund intend to divest from investments if they do not reach their greenhouse gas emissions reduction targets by:
  - i. 2030?
  - ii. 2035?
  - iii. 2040?
  - iv. 2045?
  - v. 2050?

**Answer:**

- a. No
- b. No
- c. No

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**TWU108QW:**

The New Daily

- a. Have you ever completed a cost benefit analysis of The New Daily to your fund?
  - i. If so, when did you complete this cost benefit analysis?
  - ii. Please provide a copy of the cost benefit analysis.
- b. Have you ever completed a cost benefit analysis of The New Daily to your members?
  - i. If so, when did you complete your cost benefit analysis of the New Daily to your members?
  - ii. Please provide a copy of the cost benefit analysis.

**Answer:**

N/A, TWUSUPER does not utilise this service.



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**TWU109QW:**

Financial advisers remuneration

- a. Are your financial advisers paid:
  - i. a base salary?
  - ii. non-salaried remuneration, including bonuses?
- b. Are your financial advisers, who are only remunerated with a base salary, eligible to provide:
  - i. personal advice?
  - ii. General advice?

**Answer:**

The Fund does not employ any Comprehensive financial advisers. The Fund provides this service via an external advisers' service contract.

- a.i. Yes
- ii. No

- b.i. Yes
- ii. Yes

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**TWU110QW:**

Have any technology innovations within the fund reduced the cost of operating the fund over the past decade?

If so, please outline:

- a. the technological innovations
- b. the cost saving
- c. the cost saving passed through to fees charged to members.

**Answer:**

TWUSUPER and its service providers continue to invest in technology efficiencies which enables the Fund to contain costs while expanding products and services provided to members and employers.

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**TWU111QW:**

Valuations

- a. What data is provided to valuation teams to assess the value of unlisted assets?
- b. When the fund provides data to valuation teams to assess the value of unlisted assets, does this include internal modelling of asset valuations?
- c. What assumptions are provided to valuation teams when assessing the value of unlisted assets?
- d. When valuation teams assess the value of unlisted assets, do they solely take account of past performance?
- e. When valuation teams assess the value of unlisted assets, what weighting do they take on the projected value of the market for such unlisted assets to inform their valuations?
- f. For the past decade can you please complete the below table for each unlisted asset valued under your valuation policy.

<b>Asset class</b>	i.e., Airport	
<b>Financial year</b>	<b>In-house valuation conducted by</b>	<b>External valuation conducted by</b>
<b>2010/2011</b>	i.e., Deloitte	i.e., Ernst & Young
<b>2011/2012</b>		
<b>2012/2013</b>		
<b>2013/2014</b>		
<b>2014/2015</b>		
<b>2015/2016</b>		
<b>2016/2017</b>		
<b>2017/2018</b>		
<b>018/2019</b>		
<b>2019/2020</b>		

**Answer:**

TWUSUPER does not have an inhouse valuation team as it outsources custody and investment management.

The Custodian values all unlisted securities at their market price. This includes direct holdings in cash, bonds and credit securities. The valuations adopted by our custodian are audited by

TWUSUPER's auditor.

TWUSUPER invests into property, private equity and infrastructure through pooled funds that are managed by external managers. Each fund has its own set of valuation policies and is subject to independent audit each year. Valuations are generally conducted using independent valuers and valuation principles that are relevant for each respective asset class.

TWUSUPER has intervened on occasion when the unit price produced by a fund is stale and there is reliable evidence that valuations may have materially changed. For example, private equity valuations typically lag by up to three months and were affected by the COVID pandemic in early 2020. In this case we sought guidance from each fund manager and, if appropriate, applied a discount to the prevailing unit price to reflect the manager's view on how the unit price was likely to be affected. In each case the temporary discount was removed as soon as the manager supplied an updated valuation.

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**TWU112QW:**

In the Financial Services Royal Commission documentation an 'Audit and Risk Management Committee' paper was compiled for CBUS ('Review of payments made to sponsoring organisations' — <https://financialservices.royalcommission.gov.au/public-hearings/Documents/Additional-exhibits-round-5/EXHIBIT-5.368.pdf>).

Please advise how many times, over the last decade, such a paper, or equivalent, has been prepared for:

- a. your Board?
- b. a Board subcommittee?
- c. Executive management?

**Answer:**

The Fund has not commissioned a similar paper as per the Cbus example which was externally produced by KPMG.

The Fund did conduct an internal review of the process relating to sponsorship which was approved by the Board in February 2019. This framework ensures that there is clear delineation of responsibilities and avoids any conflicts of interests.

The Fund's process already has many of the features as recommended to Cbus, including a framework, oversight and review of activities.

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**TWU113QW:**

Over the past decade, how many non-disclosure agreements have you agreed to in relation to:

- a. human resources issues?
- b. sexual harassment issues?

**Answer:**

- a. 7.
- b. Nil.

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**TWUSUPER**

**TWU114QW:**

Do you use an internal clearing house to receive the superannuation payments from employers, or their payroll representatives, before they are allocated to an individual member's account and/or fund?

If so:

- a. What is the name of the clearing house?
- b. Why do you use a clearing house?
- c. How much does it cost annually to use the clearing house?
- d. How much does it cost annually to each member to use the clearing house?
- e. What happens to interest accrued from funds held in the clearing house?
- f. What happens to non-interest income and/or capital gains
- g. accrued from funds held in the clearing house?

**Answer:**

Not applicable. Refer to TWU115QW.

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#### TWUSUPER

#### TWU115QW:

Do you use an external clearing house to receive the superannuation payments from employers, or their payroll representatives, before they are allocated to an individual member's account and/or fund?

If so:

- a. What is the name of the clearing house?
- b. Who owns the clearing house?
- c. Why do you use an external clearing house?
- d. How much does it cost annually to use the external clearing house?
- e. How much does it cost annually to each member to use the external clearing house?
- f. What happens to non-interest income and/or capital gains accrued from funds held in the external clearing house?

#### Answer:

- a. QuickSuper
- b. Westpac
- c. The Fund does not use a Clearing House, the Employer does. The Fund makes a Clearing House available to employers if they wish to use it. Funds appoint a "Contribution Gateway" provider, which is required under legislation.
- d. Costs are included in our admin agreement with our external administrator, Mercer.
- e. The Fund is not charged specifically for this service nor are there specific additional costs to the Fund, Employer or members. All costs for the Clearing House are included in the bundled administration fees.
- f. Funds held by the Clearing House provider awaiting clearance are held in a non-interest bearing account. The Fund does not earn any interest on amounts held by the Clearing House, until deposited to the Fund by the external Clearing House provider.



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**TWUSUPER**

**TWU116QW:**

If you use an internal clearing house please outline when money is received into the clearing house:

- a. On average, how long does it stay in the clearing house before it:
  - i. is allocated to a member's account and/or fund?
  - ii. is allocated to purchase units for a member's account and/or fund?
  - iii. appears in a member's account and/or fund statement and/or online record?
- b. What is the longest time that it has stayed in the clearing house before it:
  - i. is allocated to a member's account and/or fund?
  - ii. is allocated to purchase units for a member's account and/or fund?
  - iii. appears in a member's account and/or fund statement and/or online record?
- c. What is the shortest time that it has stayed in the clearing house before it:
  - i. is allocated to a member's account and/or fund?
  - ii. is allocated to purchase units for a member's account and/or fund?
  - iii. appears in a member's account and/or fund statement and/or online record?
- d. For interest accrued from holding funds in the clearing house for the member, is it then subsequently allocated to:
  - i. the individual member's account and/or fund?
  - ii. a different account and/or fund? If so, what is its name?
- e. For non-interest income and/or capital gains accrued from holding funds in the clearing house for the member, is it then subsequently allocated to:
  - i. the individual member's account and/or fund?
  - ii. a different account and/or fund? If so, what is its name?

**Answer:**

Not applicable. Refer to TWU117QW.

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#### TWUSUPER

#### TWU117QW:

If you use an external clearing house please outline when money is received into the clearing house:

- a. On average, how long does it stay in the clearing house before it:
  - i. is allocated to a member's account and/or fund?
  - ii. is allocated to purchase units for a member's account and/or fund?
  - iii. appears in a member's account and/or fund statement and/or online record?
- b. What is the longest time that it has stayed in the clearing house before it:
  - i. is allocated to a member's account and/or fund?
  - ii. is allocated to purchase units for a member's account and/or fund?
  - iii. appears in a member's account and/or fund statement and/or online record?
- c. What is the shortest time that it has stayed in the clearing house before it:
  - i. is allocated to a member's account and/or fund?
  - ii. is allocated to purchase units for a member's account and/or fund?
  - iii. appears in a member's account and/or fund statement and/or online record?
- d. For interest accrued from holding funds in the clearing house for the member, is it then subsequently allocated to:
  - i. the individual member's account and/or fund?
  - ii. a different account and/or fund? If so, what is its name?
  - iv. For non-interest income and/or capital gains accrued from holding funds in the clearing house for the member, is it then subsequently allocated to:
    - i. the individual member's account and/or fund?
    - ii. a different account and/or fund? If so, what is its name?

#### Answer:

- a. On average, money remains in the Clearing House for one business day.

Where accurate and reconciled money and data for a known active fund member is received by the Fund via the Contribution Gateway it is allocated to the member account and is usually invested within the chosen investment strategy within one business day.

- b. If payments cannot be reconciled within three Business Days, the Clearing House provider will attempt to return the money to the employer.
- c. One business day. If the payment and accompanying data is received before 4:00pm EST, all reconciled payments are paid to the fund via the contribution gateway on the following business day.
- d. Funds held by the Clearing House provider awaiting clearance are held in a non-interest bearing account. No earnings from the Clearing House are paid to the Fund, Mercer, or any associated entity.

- e. Funds held by the Clearing House provider awaiting clearance are held in a non-interest bearing account. No earnings from the Clearing House are paid to the Fund, Mercer, or any associated entity.

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**TWU118QW:**

During the first half of 2020 there were significant market movements because of the economic response to the COVID-19 pandemic. Please complete the following table outlining the total payouts and losses in foreign exchange hedging.

<b>Month in 2020</b>	<b>Payouts for FOREX hedges (\$)</b>	<b>Losses for FOREX hedges (\$)</b>
<b>January</b>		
<b>February</b>		
<b>March</b>		
<b>April</b>		
<b>May</b>		
<b>June</b>		

**Answer:**

TWUSUPER engages an overlay manager to provide currency hedging. The table below shows the settlement payments that paid quarterly in the second column. The third column shows the change in the profit and loss account each month, which is the unrealised gain or loss at the end of each month. For completeness we have supplied both currency hedging profits and losses.

Note that Currency hedging gains and losses should not be considered in isolation. For every dollar lost through FX hedging there is an equivalent dollar gain in the value of foreign currency exposure of the underlying assets.

TWUSUPER does not hedge all currency exposure because foreign currency can be valuable diversifier for Australian investors. This is evident from the returns on international shares in the first quarter of 2020, which performed much better than domestic shares. TWUSUPER regularly reviews the appropriateness of its foreign currency exposures with its asset consultant, alongside all asset class exposures.

Note that TWUSUPER invests in pooled funds as well as in direct investments. Some of these funds

will have experienced currency hedging gains and losses from time to time. We do not retain details on the P&L position on currency hedging contracts for these funds.

<b>Month in 2020</b>	<b>Payouts for FOREX hedges (\$)</b>	<b>Losses for FOREX hedges (\$)</b>
<b>January</b>	NA	-\$39,873,329
<b>February</b>	NA	-\$34,960,326
<b>March</b>	-\$61,815,159	-\$47,382,373
<b>April</b>	NA	\$65,955,831
<b>May</b>	NA	\$10,771,985
<b>June</b>	\$73,637,188	\$32,631,445

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**TWU119QW:**

Assuming a young Australian whose birthday was 1 July 1989, got their first job on 1 July 2005, opened a default superannuation account on 1 July 2005, made the average contribution of a person in that age bracket, using the default product offer made at that time and made no additional contributions, received the average growth, paid all fees, insurances and deductibles, please complete the following table.

<b>Age</b>	<b>Financial year</b>	<b>Annual average income of fund members from that age bracket in that year (\$)</b>	<b>Average Compulsory superannuation contribution in that year (% of income)</b>	<b>Resulting average annual superannuation contribution made (\$)</b>	<b>All fees, insurances, indirect cost ratios and other deductibles not classified as fees (\$)</b>	<b>Average growth in that year (\$)</b>	<b>Balance at the end of that year (\$)</b>
16	2005/2006	i.e. Someone who was 16 in 2005/2006 financial year	i.e. 9 per cent	i.e. 9 per cent of column 3	i.e. the totals deducted	i.e. growth on the balance reflecting the time reality of growth and when fees are deducted	i.e. The total balance for that account at the end of the financial year once growth and fees have affected the balance
17	2006/2007						
18	2007/2008						
19	2008/2009						
20	2009/2010						
21	2010/2011						

22	2011/2012						
23	2012/2013						
24	2013/2014						
25	2014/2015						
26	2015/2016						
27	2016/2017						
28	2017/2018						
29	2018/2019						
30	2019/2020						
<b>Totals</b>	i.e. The sum total of the cells above	i.e. The sum total of the cells above	i.e. The sum total of the cells above	i.e. The final balance			

**Answer:**

Refer to response provided in TWU102QW, unable to provide any meaningful answer.