

Remuneration Report 2018-19



Remuneration at UniSuper

UniSuper seeks to attract and retain highly experienced and qualified staff so that we can deliver greater retirement outcomes for our members.

How a person goes about performing their work is paramount as it underpins UniSuper's culture and way of doing things.

Providing, fair, equitable and competitive remuneration for UniSuper's directors, executive officers and employees is central to supporting our purpose of delivering greater retirement outcomes for our members. The information contained in this remuneration report provides an overview of UniSuper's non-executive director and executive officer remuneration practices.

The remuneration report is set out under the following main headings:

- A Governance and oversight of UniSuper's remuneration practices
- B Directors' remuneration
- C Executive officer remuneration

A Governance and oversight of UniSuper's remuneration practices

The Boards of UniSuper Limited (USL) and UniSuper Management Pty Ltd (USM) have established Remuneration Committees ('the Remuneration Committee') which assist the Boards to discharge their corporate governance responsibilities.

The Remuneration Committee maintains oversight of and seeks to ensure that UniSuper has robust and coherent remuneration policies and practices in place. At all times, UniSuper seeks to fairly and responsibly attract, retain, motivate and reward high calibre employees who display and model UniSuper's values and culture.

The Remuneration Committee is responsible for making recommendations to the full board regarding matters such as:

- UniSuper's remuneration and rewards program including formulation of the USM Remuneration Policy
- The fees to be paid to directors and non-director committee members
- Remuneration of the CEO and the Executive Leadership Team

From time to time the Remuneration Committee engages remuneration consultants to provide specialist independent advice to ensure that:

- UniSuper's remuneration is in line with industry standards
- UniSuper continues to attract and retain high quality staff to serve its members.

B Directors' remuneration

In setting the directors' remuneration, the USL Board (with guidance from the Remuneration Committee) seeks the advice of independent remuneration consultants to ensure the directors' fees are appropriate and in line with the broader financial services market.

Specifically, a full external review is conducted every three years. In the interim, adjustments may be made where appropriate (and within already approved limits), and having considered remuneration benchmarking and other relevant data. The key objective is to ensure that directors are remunerated fairly, having regard to their skills, experience and responsibility.

The directors' fees are determined within an aggregate director fee pool limit which is periodically approved by shareholders at the Annual General Meeting (AGM) and subject to annual indexation. The current fee pool is \$1,269,308 for the 2019 financial year and is based on the amount last approved at the 2017 AGM.

Notably, UniSuper has both independently appointed directors and representative directors. Accordingly, the remuneration of directors differs between these two categories, as follows:

- Independently appointed directors – the fees are based on comparative positions in the financial services sector; and
- Representative directors – the fees are compared to directors of other profit-for-members superannuation funds.

The fees payable to individual directors may be delivered as a combination of cash and superannuation at the director's discretion (subject to minimum superannuation guarantee requirements).

Board and Committee fees for the 2019 and 2018 financial years:

	2019 \$	2018 \$
BOARD		
Chair	236,880	232,000
Other independently appointed directors	118,440	116,000
Representative directors	59,220	58,000
COMMITTEE CHAIRS		
Investment	40,840	40,000
Audit Risk and Compliance, Insurance, Technology & Projects	30,630	30,000
Remuneration	18,990	18,600
COMMITTEE MEMBERS		
Investment, Audit Risk and Compliance, Insurance, Technology & Projects	19,400	19,000
Remuneration	12,050	11,800

The Board chair fee is all inclusive. Fees for other directors are the sum of the board fee plus additional fees aligned to the roles played in the individual Board Committees.

Directors do not receive performance related incentives, long service leave, retirement or termination benefits.

Directors are appointed or elected for a term of three years but are eligible for further terms subject to being reappointed or re-elected.

Aggregate directors' remuneration information for the 2019 and 2018 financial years:

DIRECTOR	YEAR	SHORT TERM	POST EMPLOYMENT	TOTAL \$
ROLE & APPOINTMENT DETAILS		CASH SALARY (\$)	SUPER (\$)	
Geoffrey Ian Martin	2019	216,349	20,531	236,880
Non-executive director & Chairman	2018	211,951	20,049	232,000
Mark Armour	2019	174,575	16,585	191,160
Non-executive director	2018	137,671	13,079	150,750
Professor Peter Dawkins¹	2019	78,620	-	78,620
Non-executive director	2018	77,000	-	77,000
Professor Jane den Hollander²	2019	71,979	6,231	78,210
Non-executive director	2018	74,333	-	74,333
Nicole Gower³	2019	79,412	-	79,412
Non-executive director (from 30 October 2017)	2018	38,979	-	38,979
Professor Lelia Green	2019	71,799	6,821	78,620
Non-executive director	2018	70,320	6,680	77,000
Neville Kitchin⁴	2019	65,524	6,225	71,749
Non-executive director	2018	70,320	6,680	77,000
Grahame McCulloch⁵	2019	73,226	4,973	78,199
Non-executive director	2018	69,800	-	69,800
Nicolette Rubinsztein	2019	153,854	14,616	168,470
Non-executive director	2018	147,336	13,997	161,333
Stephen Somogyi	2019	82,055	7,795	89,850
Non-executive director	2018	80,365	7,635	88,000
Keith Tull	2019	71,799	6,821	78,620
Non-executive director	2018	70,320	6,680	77,000
Dr Susan Gould	2019	-	-	-
Non-executive director (to 30 October 2017)	2018	37,926	3,603	41,529
TOTAL	2019	1,139,192	90,598	1,229,790
	2018	1,086,321	78,403	1,164,724

¹ Remuneration for Professor Dawkins is paid to his employer - Victoria University.

² Remuneration for Professor den Hollander was paid to her employer - Deakin University up to 31 July 2018 and then to her personally. The components were personal \$71,827 (2018 - Nil) and employer \$6,383 (2018 - \$74,333)

³ Remuneration for Nicole Gower is paid to her employer - Macquarie University.

⁴ Cash salary remuneration for Neville Kitchin is split with \$11,442 (2018 - \$17,352) paid to him personally and \$54,082 (2018 - \$52,968) paid to his employer - Community and Public Sector Union. The superannuation component for both years was paid to his nominated superannuation account.

⁵ Remuneration for Grahame McCulloch was paid to his employer - National Tertiary Education Union up to 16 October 2018 and then to him personally. The components were personal \$57,316 (2018 - Nil) and employer \$20,883 (2018 - \$69,800).

C Executive officer remuneration

C.1 Overview

All executive officers are employed and paid by USM (the fund administrator) which is wholly owned by USL in its capacity as trustee of UniSuper.

Importantly, USM has a formal remuneration policy in place. The remuneration policy is designed to be robust and transparent and to support the business strategy and goals. At all times there is a focus on aligning executive remuneration outcomes with ensuring greater retirement outcomes for our members.

The Board seeks the advice of an independent remuneration consultant to ensure remuneration for executive officers is appropriate and in line with the broader financial services market. Executives do not receive any equity based remuneration.

C.2 UniSuper's guiding remuneration principles

The Policy details the remuneration philosophy, structures and objectives designed to achieve UniSuper's purpose – "to provide greater retirement outcomes for members" and support the achievement of our vision to be the "best value superannuation fund in Australia".

USM's Remuneration philosophy is to provide fair, flexible and competitive remuneration, reflective of market practice. Specifically;

- For competent, performing employees, USM will target the relevant market median; and
- Employees who are consistent high performers and demonstrate leadership potential will, over time, be positioned around the 75th percentile of the relevant market.

The Policy aims to achieve the following objectives:

- Encourage behaviors that support UniSuper's culture and values;
- Appropriately reward UniSuper employees for their performance outcomes;
- Reward performance that contributes to Fund strategy and success;
- Assure gender pay equity;
- Attract, motivate and retain high calibre employees; and
- Encourage behaviors that support the risk management framework and align remuneration to prudent risk taking with utilisation of the USM Governance Gateway.

At all times, there is an overarching focus on ensuring that executive officers (and their teams) meet the governance gateway behavioral expectations and live UniSuper's values in performing their work and delivering greater retirement outcomes for our members.

C.3 Remuneration components

There are two components that make up an individual's total remuneration package:

- a. Fixed remuneration; and
- b. Variable remuneration.

C.4 Fixed remuneration

Fixed remuneration is made up of base salary and employer superannuation contributions. Base salary may be delivered as a combination of cash and prescribed non-financial benefits. Fixed remuneration is reviewed annually; however, annual fixed remuneration increases are not guaranteed (and are assessed on a case by case basis).

C.5 Variable remuneration

At the discretion of the USM Board, executive officers may be eligible to receive an annual incentive (sometimes referred to as performance based remuneration) in recognition of higher levels of performance.

The incentive is comprised of two components:

- a. UniSuper corporate performance; and
- b. Individual (and team) performance.

The incentive forms part of the annual performance management cycle (described in more detail below). It is calculated on an annual cycle (with approval by the USM Remuneration Committee and Board post 30 June) and is payable in September. All incentives are paid in cash with no access to any share based payments.

a. UniSuper corporate performance component

The UniSuper corporate performance component focuses on the overall performance of UniSuper as an organisation. It is linked to the three key result areas (KRAs) of:

1. Great value;
2. Excellent service; and
3. Meeting targets and stretch targets in the following key areas:
 - Strong investment performance both short and medium term;
 - Competitive fees charged to members;
 - Service levels;
 - Member retention;
 - Fund inflows; and
 - Cost control.

b. Individual (and team) component

First and foremost, the individual (and team) component at all times requires the mandatory attainment of clear expectations in relation to individual governance requirements and workplace behaviors (i.e. a governance and behavioral gateway).

It is also directly linked to achieving outcomes specific to the area of the executive officer's operation and control (and such outcomes will vary from year to year depending on the business plan). As such, the annual performance management cycle underpins the individual component of the annual incentive.

The annual performance management cycle (for all staff, including executive officers) incorporates three phases:

1. Planning of agreed targets and stretch targets for the year ahead, for both the Fund and the individual;
2. Tracking and providing feedback on performance during the year; and
3. Review and assessment of performance against agreed targets at the end of the year.

In order to utilise their strengths and provide new skills and knowledge, executives are also provided with targeted learning and development opportunities. Accordingly, the individual component of the annual incentive is linked to performance against targets (which are developed and agreed annually as part of the above performance management cycle) and includes rigorous assessment and scrutiny by the Board.

C.6 Variable remuneration is at risk

The award of an incentive to an executive officer is never guaranteed and is always at the full discretion of the Board (with advice from the Remuneration Committee). Any decisions to award an incentive are based on market relativities and the level of direct impact each individual can have on the results of the Fund.

Importantly, good governance underpins everything we do at UniSuper and all employees are expected to adhere to a set of core governance standards and behavioral expectations. This sets a threshold that must be met before any incentives are awarded (i.e. a governance and behavioral gateway).

C.7 Maximum variable remuneration

The maximum potential incentive that may be awarded to any executive officer, including the Chief Executive Officer, ranges from 30% to 150% of their fixed remuneration (and depends on their role and the terms of their employment contract).

As noted above, the payment of any incentive to an executive officer is always at the discretion of the Board. The weighting accorded to each of the two components that underpin the annual incentive (i.e. UniSuper corporate performance and individual performance) is also at the discretion of the board and is considered in the full context of UniSuper, its performance and the individual performance of an executive officer (and that of their team).

C.8 Individual USM executive officer remuneration

USM is committed to the highest levels of transparency and disclosure regarding each executive officer. The aggregate level of remuneration (i.e. fixed plus variable remuneration) for all executive officers for the 2019 and 2018 financial years is provided below.

EXECUTIVE OFFICER	YEAR	SHORT TERM		POST EMPLOYMENT	LONG TERM	TERMINATION ⁶ (\$)	TOTAL (\$)
ROLE & APPOINTMENT DETAILS		CASH SALARY ⁷ (\$)	CASH INCENTIVE ⁸ (\$)	SUPER (\$)	LONG SERVICE ⁹ (\$)		
Kevin O'Sullivan	2019	512,820	235,200	87,180	14,120	-	849,320
Chief Executive Officer	2018	512,820	240,600	87,180	19,880	-	860,480
John Dyer	2019	294,790	100,395	50,114	9,455	-	454,754
Chief Financial Officer ¹⁰	2018	290,516	86,088	49,388	9,219	-	435,211
Anna Liebel¹¹	2019	343,077	102,457	54,923	475	-	500,932
Executive Manager – Technology (to 30 April 2019) Chief Technology & Delivery Officer (from 1 May 2019)	2018	411,000	-	-	-	-	411,000
Jack McCartney	2019	312,204	115,169	53,075	4,631	-	485,079
Executive Manager – Advice (to 30 April 2019) Chief, Financial Advice (from 1 May 2019)	2018	308,119	108,029	52,380	13,750	-	482,278
John Pearce¹²	2019	589,744	1,022,580	100,256	16,237	-	1,728,817
Chief Investment Officer	2018	589,744	882,924	100,256	16,238	-	1,589,162
Lee Scales	2019	338,462	123,235	57,539	9,319	-	528,555
Chief Customer Officer	2018	315,894	111,838	53,702	16,136	-	497,570
Julie Watkins	2019	267,604	89,878	45,493	389	-	403,364
Executive Manager, People Services (to 30 April 2019) Chief People Officer (from 1 May 2019)	2018	-	-	-	-	-	-
Tim Anderson	2019	253,382	64,634	41,089	12,726	197,378	597,209
Executive Manager – Marketing & Product (to 10 May 2019)	2018	260,602	76,311	44,302	7,903	-	389,118
Nick Drohan	2019	279,870	67,103	25,469	(3,136)	103,799	501,105
Executive Manager – Program Management (to 17 May 2019)	2018	287,232	79,285	27,287	2,777	-	396,581
Steven Leach	2019	231,098	75,798	39,287	9,430	-	355,613
Executive Manager – Operations (to 30 April 2019)	2018	256,328	77,760	43,576	7,887	-	385,551
TOTAL	2019	3,423,051	1,996,449	554,425	73,646	301,177	6,348,748
	2018	3,232,255	1,662,835	458,071	93,790	-	5,446,951

Summary of executive officer annual incentive payments:

EXECUTIVE OFFICER	YEAR ¹³	FIXED REM (\$)	STI INCENTIVE OPPORTUNITY AS % OF FIXED REMUNERATION	VARIABLE (INDIVIDUAL/ COMPANY) COMPONENTS	GRANTED (%)	FOREGONE (%)	VESTED (\$)
Kevin O'Sullivan	2019	600,000	50%	60/40	78.4%	21.6%	235,200
John Dyer	2019	345,000	30%	70/30	97.0%	3.0%	100,395¹⁴
Anna Leibel¹¹ (from 16 July 2018)	2019	420,000	30%	70/30	84.8%	15.2%	102,457
Jack McCartney	2019	365,400	40%	70/30	78.8%	21.2%	115,169
John Pearce	2019	690,000	150%	70/30	98.8%	1.2%	1,022,580
Lee Scales	2019	396,000	40%	70/30	77.8%	22.2%	123,235
Julie Watkins (from 18 July 2018)	2019	335,000	30%	70/30	93.8%	6.2%	89,878
Tim Anderson (to 10 May 2019)	2019	320,000	30%	70/30	78.3%	21.7%	64,634¹⁴
Nick Drohan (to 17 May 2019)	2019	325,000	30%	70/30	78.3%	21.7%	67,103¹⁴
Steven Leach (to 30 April 2019)	2019	320,000	30%	70/30	94.8%	5.2%	75,798

⁶ This relates to contractual obligations paid to executives in certain circumstances on departure.

⁷ Cash salary includes the total cost of salary including annual leave accrual and any salary sacrificed benefits.

⁸ The Cash STI incentive applicable to each financial year is reviewed by the USM Remuneration Committee and approved by the USM Board post 30 June and paid in September, subsequent to the end of the financial year.

⁹ This includes the net of long service leave entitlements accrued/paid during the year calculated under the relevant accounting standard and in some cases entitlements have not yet vested with the executive.

¹⁰ Following a review of the USM organisation, the Chief Financial Officer role has been restructured and a Chief Operating Officer role created. John Dyer, CFO, ceased employment with USM on 31 July 2019.

¹¹ The remuneration for this executive was paid to her corporate entity up to 15 July 2018 and then to her personally. The cash salary figure for 2019 includes \$20,000 paid to her corporate entity.

¹² This executive is entitled to an additional two weeks annual leave.

¹³ The incentives applicable to the 2019 financial year were reviewed by the Remuneration Committee and approved by the USM Board post 30 June and mostly paid to executives in September 2019.

¹⁴ The incentives for these executives were paid on departure.

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