

5 March 2010

The Hon Lindsay Tanner MP
Minister for Finance & Deregulation
Parliament House
Canberra ACT 2600

Proposed Military and Civilian Superannuation Reforms

Dear Minister Tanner,

The Senate Finance and Public Administration Legislation Committee's inquiry into the *Governance of Australian Government Superannuation Schemes Bill 2010*, the *ComSuper Bill 2010*, and the *Superannuation Legislation (Consequential Amendments and Transitional Provisions) Bill 2010* was announced on 1 March 2010.

The Australian Institute of Superannuation Trustees (AIST) welcomes the opportunity to provide commentary to the committee in relation to the draft legislative amendments. Specifically, our discussion centres on the proposed structure of the governing board of the Commonwealth Superannuation Corporation (CSC). AIST is a national not-for-profit organisation whose mission is to promote and protect the interests of Australia's \$450 billion not-for-profit superannuation sector. AIST's membership includes the trustee directors and staff of industry, corporate and public-sector funds, who manage the superannuation accounts of nearly two-thirds of the Australian workforce. As the principal advocate and peak representative body for the not-for-profit superannuation sector, AIST plays a critical role in policy development and commercial research.

Governance of Australian Government Superannuation Schemes Bill 2010 Subdivision B

AIST strongly supports the representative trustee model and throughout our submissions to the *Review into the governance, efficiency, structure and operation of Australia's superannuation system*, (Cooper Review) we have argued for this model to be extended across the industry.

We note the proposed legislation, *Governance of Australian Government Superannuation Schemes Bill 2010*, supports the equal representation requirements under the SIS legislation. Traditionally, equal representation, particularly amongst our members, has implied an equal number of representatives from both unions (member or employee representatives) and from employer organisations – i.e. on a board of 10 directors, there would be five member representatives and five employer representatives.

We note the legislation specifies that three member representatives will be nominated by the President of the ACTU, and the remaining two will be nominated by the Chief of the Defence Force. We note the Coalition has expressed concerns regarding the inclusion of three trade union directors on the board. However, AIST supports the equal representation trustee model and traditionally this would result in the appointment of an equal number of employee and employer representatives. Equally, others have expressed concerns with the appointment process and question whether the board will be truly 'representative', as the number of directors representing 'members' is reduced.

Whilst the appointment of directors and the equal representation provisions specified under the proposed legislation is perhaps not traditional, we note the government has set a higher bar in terms of decision-making, requiring almost unanimous agreement for effective voting. At this stage, we are comfortable that the needs and views of a range of stakeholders will be met under the proposed arrangements.

Our research and experience has illustrated that trustees are very conscious of their responsibilities, and, as legislatively required, act in their members' best interests, regardless of whether they are member representatives, employer representatives, or independents. The combination of directors representing employers and employees ensures a diverse set of experiences and perspectives are brought to the board. Our research shows that, historically, board diversity improves effectiveness and leads to better outcomes for members.

We also note that not-for-profit super funds, that is, those operating with a representative trustee, have outperformed all other sectors over three, five and ten-year periods, reinforcing the success of the representative model.

We look forward to working with you further and should you require additional information in relation to the matters outlined in this letter, please do not hesitate to contact me on (03) 8677 3805.

Yours sincerely,

Fiona Reynolds
Chief Executive Officer