

Chair  
Senate Standing Committee on Finance & Public Administration  
PO Box 6100  
Parliament House  
Canberra ACT 2600  
Australia

Dear Senator Polley

### **Merger of the Trustee Boards of ARIA and Military Super**

The ACTU wishes to express our view of the proposed merger of the Trustee Boards of the Australia Reward Investment Alliance (ARIA) with the military superannuation schemes, the Military Superannuation and Benefits Board and the Defence Force Retirement and Death Benefit Authority (Military Super).

The ACTU does not oppose the merger, and we support the governance arrangements that are proposed in the Bills.

However the ACTU believes that the better course of action would be the establishment of a single, non-statutory industry fund for Commonwealth public sector employees in the defined contribution plan. The industry fund model, in which the Commonwealth would own shares in a trustee company, is responsive to regulatory change and allows Commonwealth public sector workers to have a single superannuation provider throughout the accumulation and draw-down phases. The Commonwealth already participates in such a scheme- AGEST Super.

This model has a proven record of combining high quality services to members with low costs and strong accumulation performance. The most recent data on fund performance released by APRA confirms this, and we believe that an independent assessment of comparative costs would show that such a model would involve lower administrative and investment costs than those associated with Commonwealth administration of the PSSap.

Having said that, the ACTU strongly supports the governance arrangements proposed by the legislation. In particular, we endorse the provisions pertaining to equal board representation and the independent nomination and conformation of employee directors. Such arrangements are standard across the industry fund sector and have played a key role in securing a robust and resilient mode of governance that commands a high level confidence from unions, employers and members.

Yours sincerely,

**Cath Bowtell**  
**ACTU Senior Industrial Officer**  
5 March, 2010