

12 March 2010



Ms Christine McDonald
Secretary
The Senate Standing Committee on
Finance and Public Administration
PO Box 6100
Parliament House
Canberra ACT 2601

Dear Ms McDonald

Senate Finance and Public Administration Legislation Committee

I refer to the hearing of the Senate Committee yesterday.

Attached is a response to the matter that Tony Hyams took on notice during the hearing.

Yours sincerely

Peter Carrigy-Ryan
Chief Operating Officer

Attachment

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Matter on Notice - Senate Standing Committee on Finance and Public Administration - Legislation Committee

At the Senate Committee hearing yesterday we advised that we would take on notice the tendering for investment management by two superannuation funds and respond back to the Committee.

The issue is about the feasibility of two superannuation funds jointly tendering for investment management services in order to reduce overall costs. Two funds with a similar investment strategy, similar investment processes and similar manager selection processes could tender jointly for a particular investment manager. Our experience would suggest the likelihood of all of those matters coinciding is small.

Where there is a single trustee involved in the management and investment of a number of funds (as is the case with ARIA) it is possible to pool the funds and gain the benefits of scale (thereby reducing cost) and scope (having a wider range of investment that can be accessed). A diagrammatic representation of those arrangements is set out in ARIA's submission to the Committee. In other words, pooling of investments under a single trustee board leads to economies of scale that are unlikely to be fully accessed by separate boards acting jointly.

In our view there would be a number of practical and operational difficulties in having two separate trustee boards agree on a particular manager with a similar investment mandate for a similar duration.

Tony Hyams
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