

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates, 16 & 17 February 2005

Question: Add 23

Topic: APRA – Establishment of Policy Committees

Hansard Page: E112

Senator Watson asked:

What are the demands on an employer to establish a policy committee?

Answer:

An employer should co-operate with a public offer trustee in establishing an equal representation policy committee where one is required or requested for the fund members who are employees of that particular employer. However, the legislation places the obligation to establish the committee on the trustee.

A policy committee is a body set up under the governing rules of the fund to advise and inform the trustee about matters of concern relating to the fund which have been raised by members or employer-sponsors of the fund. It generally provides the main avenue for members and employer-sponsors to monitor the management of the fund.

When required or requested, the trustee must take all reasonable steps to establish the committee within 90 days. The former regulator, the Insurance and Superannuation Commission held the view that the trustee trying, but failing, to get confirmation from employers regarding the establishment of policy committees does not represent “taking all reasonable steps” to ensure the required committees are established.

“Reasonable steps”, where an employer is reluctant to provide information to employee members, would include contacting members individually to explain the consequences of the absence of a policy committee and detailing the process for nomination to serve on the committee to represent the members of the subplan.

Alternatively, the trustee could write to the employer requesting details of the steps the employer intends to take to make employees aware of the policy committee provisions, and asking the employer to advise all members about the trustee’s request and the consequences of the absence of a committee. If the existence of a policy committee has not been resolved by the time the annual report to members is due, the trustee could use the annual report to advise about the committee.