


Senate Select Committee on Superannuation and Financial Services

Main Inquiry Reference (a)

Submission No. 21

Submittor: Ms Fiona Ogilvy-O'Donnell
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PO Box 444
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29 March, 2000

Ms Sue Morton
Secretary
Select Committee on Superannuation and
Financial Services
Parliament House
Canberra ACT 2600

Dear Ms Morton

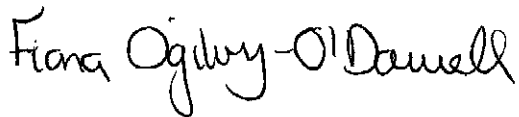
Please find attached my submission to the Senate Select Committee's Inquiry into Superannuation and Financial Services. This submission addresses the first term of reference of the Inquiry, namely the prudential supervision of superannuation and financial services in Australia.

As you are aware I previously made a submission to the Senate Inquiry on behalf of the Estate of my late father but the Senate Select Committee resolved not to accept that submission as the matter was before the Courts.

The matter has now been settled via a Court ordered mediation held on 9 March. The terms of the settlement are confidential and nothing that is contained in the submission is either intended to or does breach that confidentiality.

Should you wish to discuss any aspect of the submission, please do not hesitate to contact me on [03] 59665882.

With best wishes
Yours sincerely



Fiona Ogilvy-O'Donnell

**Summary of Key Points of Submission to the Senate
Select Committee's Inquiry into Superannuation and
Financial Services**

**Prepared by Fiona Ogilvy-O'Donnell
March 2000**

Summary of Key Points of the Submission

The key points in the submission are

- 1. The occurrence of fraud is a reality within the Australian superannuation industry.**
- 2. Because it has happened, the Parliament of Australia can no longer assume that existing regulation will ensure the integrity of superannuation funds.**
- 3. There are a range of actions open to Government and the Australian Parliament as a whole which would encourage speedy restitution of defrauded superannuation funds, deal with those responsible for such frauds and avoid recurrence of superannuation fraud.**
- 4. These include a more effective system of regulation, consumer education, and an alternative approach to tax deductibility of legal expenses for defaulting trustees. Recommendations are provided in each of these areas.**

Fiona Ogilvy-O'Donnell

29 March 2000

**A Submission to the Senate Select Committee on
Superannuation and Financial Services**

Prepared by Fiona Ogilvy-O'Donnell

March 2000

Senate Select Committee Inquiry into the Prudential Supervision of Superannuation Services in Australia

1. Introduction

Given the fact that superannuation is a compulsory retirement savings policy supported by both the Federal Government and the Opposition, it is appropriate that the Senate Select Committee has been established to review the prudential safeguards within the superannuation funds industry.

With an increasing number of Australians being required to rely upon their superannuation in retirement, it is critical that Government, the superannuation industry and related industries take every possible step to ensure that superannuation funds are secure and well managed.

This submission is made in the belief that I have some relevant experience and recommendations to contribute to the Review. The relevant experience is the embezzlement of the majority of assets of my late father's superannuation fund by an employee of one of Australia's largest funds actuaries. The fraud was discovered in December 1996. The matter was settled at a Court ordered mediation on 9 March 2000. As one of the Executors of my father's estate, I have spent considerable time, funds and emotional energy restoring the superannuation assets of our late father. As a result of this experience, I believe I am well placed to make some observations and recommendations that could improve the prudential safeguards for superannuants in the future.

The experience that our family has had would not be wished on any other superannuant or their family. Our father died in April 1997, four months after the fraud was discovered. In that period he lived the worst nightmare of any retiree or superannuants in Australia ie discovering on retirement the vast majority of his superannuation funds had been embezzled. It is the family's opinion that the stress of the fraud in no small part contributed to the untimely death of our father.

2. Background Information

On 14 December 1996, the Business section of The Age newspaper carried the following headline "Funds manager faces \$1m-plus fraud". {Appendix1} The article stated that "A former senior manager at Towers Perrin Forster Crosby is alleged to have embezzled the money from an individual client's funds over eight years. It went on to say "Mr Goddard {Towers' acting office manager} said the client from whose fund the money had allegedly been taken had been informed about the matter. The client, whom he would not name was not considering legal action at this stage and was totally amicable about the situation, he said."

The client referred to in The Age article was my father, the Late Mr Alex Ogilvy.

The senior employee referred to in the article was sentenced to a jail term for the theft of over \$1.3m in May 1997.

Towers Perrin admitted liability for the defalcation of our father's superannuation funds in April 1999. This admission of liability came as a result of the Executors issuing proceedings against the company. The Executors' statement of claim against Towers Perrin and the defence including the admission of liability have been filed in the Victorian Supreme Court.

3 The Role of Towers Perrin in the Australian Superannuation Industry

Towers Perrin Financial Planning Services in Australia is a wholly owned subsidiary of Towers Perrin USA. In Australia Towers Perrin is the dominant actuary of the corporate superannuation industry funds with a 42% share of the Australian market. Towers Perrin also has a 14% share of the asset consultant market and 36% of the communications consultant market in the corporate superannuation funds market in Australia.¹ Within these major corporate superannuation funds, there are approximately 456,000 members with funds in excess of \$21,253million, who rely upon either actuarial, asset consultancy, or funds administration services provided by Towers Perrin.²

Apart from the corporate sector, Towers Perrin has actuarial responsibility for a significant number of government and semi-government superannuation funds. These include:

- the Australia Post Superannuation Scheme
- the Reserve Bank of Australia Officers' Super Fund
- the Superannuation Scheme for Australian Universities
- the Victorian Local Authorities Superannuation Fund
- the Victorian Superannuation Board State Superannuation Funds.

The combined membership of these funds is 456,232 with collective assets of \$21,553m.³

The Telstra Superannuation Scheme has 67,900 members with assets of \$6,400m uses Towers Perrin's asset consultancy services, as does the Australian Government Employees Superannuation Fund. This fund has 111,159 members with assets of \$232m.⁴

¹ Superfunds magazine June 1999, page 48,53

² SuperReview, December/January 2000, pages 28-33

³ Superfunds magazine, May 1999, page 42-43

⁴ SuperReview, May 1999, page 22-23

The above data does not necessarily reflect the full extent of Towers Perrin's influence in the Australian superannuation industry. However, it serves to demonstrate that the company, whose systems enabled an employee to defraud our father's superannuation, plays a significant role in respect of over one million of Australians' superannuation funds. Appendix 2 contains material on Towers Perrin's role in the Australia superannuation industry.

Despite all of the regulatory requirements, a Towers Perrin employee was able to flout all the fiduciary obligations and Trustee responsibilities owed to our father. Given Towers Perrin's expertise as an international risk manager, it has been difficult to accept that it took three and a quarter years to resolve the matter.

It does not seem right that, through no fault of our own, we were forced to spend significant time, and resources attempting to gain justice in relation to our father's superannuation. In fairness, the task of reconstructing an embezzled superannuation fund is complex and open to lots of argument. But my point is that lay people are always going to be at a great disadvantage in having to endure such an exercise.

4 Recommendations

The incidence of superannuation fraud should be used to:

- improve the security of superannuation funds
- strengthen the prudential safeguards within the superannuation industry and related industries
- enhance the vigilance of all superannuants with respect to the management of their superannuation funds.

The Australian community is poised to embark upon a major debate about greater choice in superannuation. It is critical that the major players such as the funds managers and actuaries in this debate do not override the interests of the individual superannuant. In light of our experience, greater choice in superannuation must be underpinned by [1] a system of effective regulation, [2] consumer education and [3] an alternative approach to tax deductibility of legal expenses for defaulting trustees

4.1 A System of Effective Regulation

An effective system of regulation of the superannuation industry must begin with greater accountability by the industry itself as well as all the related players, including APRA, the ATO, the banks and the insurance industry.

4.1.1 The Responsibilities of Trustees

One of the most critical issues is ensuring that superannuation funds are appropriately registered with APRA or the ATO. In November 1999 we wrote to APRA in an attempt to seek guidance about our responsibilities as the newly appointed trustees of our late father's superannuation fund. Appendix 3 contains our correspondence with

APRA and their reply. As can be seen from this material, the fund was never established as regulated fund with the Occupational Superannuation Commission in 1987. This was of no comfort to us as we are left without any regulatory authority responsible for the events and the consequences.

Recommendation 1: Where a superannuation fund is defrauded, the Trustees of that superannuation fund should have to show cause why they should not be prohibited from acting as Trustees in the superannuation industry thereafter. Serious financial penalties should apply. APRA should maintain a public listing of Trustees of superannuation funds which have been defrauded, regardless of whether these funds were regulated or not. This list of deregistered Trustees should be circulated to employers and employees via their superannuation fund managers. A similar regime applies to Directors of companies that become insolvent and leave creditors unpaid.

4.1.2 The Role of the Banks in the Superannuation Industry

A fraud of the magnitude of that committed against our father's superannuation fund did not occur in isolation. Clearly, the banking system was used to facilitate the fraud by the Towers Perrin employee. It is obvious that there were inadequate safeguards within the banking system to disclose the unorthodox movement of funds and transactions occurring on a named trust account, specifically called the AW Ogilvy Superannuation Fund account. It is noted in this context that the banking system is keen to secure a greater role in the superannuation industry in Australia.

Recommendation 2: Banks handling superannuation accounts should be required to develop new auditing procedures to regularly monitor the numbers of signatories on superannuation fund accounts, ensuring that they comply with Trust Deeds. Banks should be required to provide superannuants directly with an annual statement of funds, the dates of deposit and withdrawals.

4.1.3 The Role of the Insurance Industry in Superannuation Fraud

A superannuant has a right to expect that those responsible for the management of superannuation funds will carry insurance designed to protect the superannuant in the event of a breach of fiduciary trust by an employee. What is more problematic in the event of a fraud is the potential conflict between the trustee relationship owed to the superannuant by those responsible for the funds' management and the latter's contractual obligations to its insurer.

Recommendation 3: Given the compulsory nature of superannuation in Australia, the Government and the Parliament have an obligation to protect superannuants in the event of a fraud on their superannuation fund. It is recommended that legislation be passed by the Federal Parliament to prevent the commercial interests of the insurance industry and the insured ie the funds

superannuants in the event of a fraud on their superannuation fund. It is recommended that legislation be passed by the Federal Parliament to prevent the commercial interests of the insurance industry and the insured ie the funds managers, asset consultants, funds actuaries conflicting to the detriment of a victim of a superannuation fraud. Victims of superannuation fraud should have a right to immediate restoration of their funds.

4.1.4 Protection of Superannuants faced with Fraud of their Superannuation Fund

My father was a retired Chartered Accountant, who had been senior partner with Arthur Young, now Ernst Young, before taking up a number of non-Executive Directorships with some of Australia's largest public companies. He had been a prudent financial manager, with a long history of investment on the Australian stock exchange. His superannuation fund was due to terminate on 10 January 1996, three months after he turned 70 years of age. From this date until the fraud was discovered in December 1996, he did not have access to his superannuation funds. It needs to be said that during that eleven months, he arranged over 29 appointments with the Towers Perrin employee, none of which resulted in the funds being made available to him.

During this same period, he was forced to sell shares to support himself. In this sense, he was fortunate in that he had other resources to fall back on. My concern is for those people who would not have had that safety net and one has to assume this could be a significant proportion of the population.

It is a regrettable fact of human nature that fraud within superannuation funds will occur again. One of the precautionary measures Governments can take is to establish a mechanism that protects superannuants on discovery of fraud. Given the nature and purpose of superannuation, it is likely that a fraud may not be discovered until retirement. There must be a safety net to protect the victims in the immediate period following the fraud. The safety net needs to incorporate financial support, access to specialist legal and accounting services as well as emotional counselling, if required. The alternative is a David and Goliath scenario, impossible for many to accommodate.

These post-fraud support services should be paid for through a superannuation industry levy, taken from the profits generated by the industry, not through increased charges to superannuants.

Recommendation 4: New penalties should be established by the Australian Parliament which levy fines for every month that a terminated superannuation fund is not made accessible to the superannuant. All parties responsible for the management of the superannuation fund should jointly and individually be subject to these financial penalties.

Recommendation 5: The Government and the superannuation industry should develop a means by which the rights of a victim of a superannuation fraud are given higher priority than the commercial interests of those responsible and the insurance industry. This must include providing immediate access to an alternative income stream while the processes of location of the funds is determined.

Recommendation 6: The government should establish mechanisms by which victims of superannuation fraud can access, free of charge a range of services to assist them cope with the financial, emotional, legal and accounting implications arising from such a fraud.

4.1.5 The Role of the ATO

For the period 1987 until 1996, my father made legitimate tax deduction in relation to his superannuation fund as part of his annual income tax return. At no point did reconciliation between his superannuation tax deduction and the OSC/APRA fund number occur. While it is appreciated that the ATO now has responsibility for excluded funds and that this should overcome what happened in my father's case, there should be scope for cross checking of superannuation funds data with tax return statements.

Recommendation 7: As part of the new APRA compliance audits, the ATO participate in a program of random cross checking of superannuants funds data with ATO tax records.

4.2 Consumer education

In light of our experience, it is clear that the Australian superannuation industry has still got much to learn about the management and resolution of incidences of fraud from within a superannuation fund. Likewise, it is most unlikely that superannuants are aware of the significant difficulties they may encounter were they to find themselves in the situation of our father and his beneficiaries.

In a recent survey undertaken by KPMG, it was revealed that one third of Australian companies fail to notify law enforcement authorities when they become victims of fraud. The research also found that it was often respected employees of companies familiar with the fraud prevention control strategies who were the perpetrators of fraud within a company.⁵

In the main, superannuants take little interest in the management or security of their superannuation, content in a misguided belief that because the Government has made

⁵ The Age Newspaper, Thursday 16 September 1999, "Corporate fraud goes unreported", page 7

superannuation compulsory, legislative controls make it secure, if not Government guaranteed.

The choice debate on superannuation is the ideal opportunity to make explicit the fact that fraud can occur in the superannuation industry and is an ever-present risk. The Government's consumer education program in respect of funds' choice should highlight the ways in which superannuants can work to prevent fraud by exercising much greater diligence in obtaining, reading and understanding the documentation provided by superannuation fund managers, banks and employers.

Without Government participation in a program of consumer education, superannuants will continue to be left in the hands of the marketing machines of the superannuation industry and will make uninformed assumptions.

4.3 An Alternative Approach to Tax deductibility of Legal Expenses for Defaulting Trustees

One of the most significant actions that the Federal Government could take to deliver greater consumer protection in the event of a defalcation of a superannuation fund is to remove the preferential tax treatment it presently provides to corporations involved in litigation in this area.

On Friday 29 October 1999 an article in the Financial Review titled "Better Judgement will keep judges out of court" discussed the issue of tax deductibility for companies engaged in litigation.⁶ While the case discussed in the article is irrelevant to this submission, what is highlighted is the advantage a company has over individuals, who may be forced into litigation over issues of superannuation fraud. As the law presently stands, the Government is providing a substantial advantage to companies responsible for the superannuation embezzlement through tax deductibility of their legal costs. No such tax deductibility is available to individual victims.

Tax deductibility for litigation costs should not be available to any company responsible for fraud on a superannuation fund. This would remove the current advantage enjoyed by companies and may result in a quicker resolution of these matters. Otherwise companies and their insurers are supported in a strategic and elongated approach to claims.

Recommendation 8: The Government introduce legislation to remove tax deductibility for legal costs for any company found to be responsible for the fraud of a superannuation fund.

⁶ The Financial review, Friday 29 October 1999, "Better judgement will keep judges out of court", page 30

5 Conclusion

An effective review of the prudential supervision and consumer protection of superannuation can only occur if the Senate Select Committee is aware of the realities faced when superannuation fraud occurs. Unless I had been personally touched by this situation, I would not have imagined it possible for funds to be so vulnerable and their recovery to be so difficult.

Successive federal governments have supported the need for enhanced superannuation payments by Australian employees. Having done this, political parties of all persuasions have a responsibility to ensure that these compulsory savings are held in funds that are prudently and securely managed. Otherwise, the main aim of having people provide for their retirement will be defeated.

Fiona Ogilvy-O'Donnell
31 March 2000

APPENDIX 1

Submission from Fiona Ogilvy-O'Donnell

Enjoy the Peugeot experience. Inspect and test drive the extended range of the multi-award winning Peugeot 306 at . . .



SAURDAY 14 DECEMBER 1996

THE MAGE

SECTION 3

BUSINESS

Funds manager faces \$1m-plus fraud

BY DAVID SAUNDERS

Former senior employee of one of Australia's largest superannuation fund managers is expected to be charged with theft of \$1 million after he gave himself up to police this week.

The former senior manager at Towers Perin Forster & Crosby is alleged to have embezzled the money from an individual client's fund over eight years.

He left Towers Perin in September



THE LAW

After a dispute over his position, he had been with the company since 1987.

Towers' acting office manager, Mr Andrew Goddard, told *The Age* yesterday that the manager gave himself up to the company and detectives at the major fraud group on Thursday.

It was the first the company knew of the alleged theft.

The extent of the alleged fraud was uncertain. However, it is believed the amount of money unaccounted for, including accrued interest over the eight-year period, was about \$2 million.

Investigating accountants were continuing their search for the missing funds.

Mr Goddard said the client from whose fund the money had alleg-

edly been taken had been informed about the matter.

The client, whom he would not name, was not considering legal action at this stage, and was totally amicable about the situation, he said.

"We are pursuing the matter with our insurer. Obviously we hope that the insurer will make good any loss," Mr Goddard said.

He said the alleged fraud came as a complete shock to everyone at

the multinational company.

"People who have known and worked with (the manager) around the world are really severely shaken by the news," he said.

Mr Goddard said it was unclear what had happened to the missing funds but claimed that the manager appeared to have been acting outside the normal checks and balances of the company.

The director of employment benefits at Towers Perin in Syd-

ney, Mr Ken Lockery, said the former manager's role while at the company did not involve any handling of clients' money at any stage. He refused to make any further comment on the matter.

Towers Perin Forster & Crosby is one of the biggest asset consultants in Australia, with clients that include investment funds for government bodies, industry groups and corporate clients as well as individual clients.

APPENDIX 2

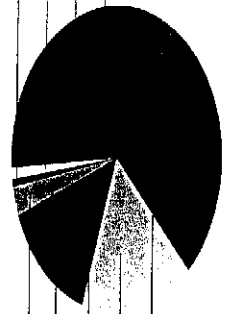
Submission from Fiona Ogilvy-O'Donnell

NAME OF FUND	MEMBER SHIP (97)	MEMBER SHIP (98)	TOTAL ASSET (\$M)	EMPLOYER No.	TRUSTEE No.	FUND ACTUARY	LAWYER	INSURER	ASSET CONSULTANTS	AUDITOR	ADMINISTRATOR	MEMBER INVESTMENT CHOICE
VICTORIA												
LASF Vic Local Authorities Superannuation Fund	71113	74141	1608	200	5	Towers Perrin	Frechill	Self	William M. Mercer	VIC Auditor General	Self	Yes
VSB-SVF Victorian Superannuation Board State Super. Fund	193466	188677	3790		8	Towers Perrin	Blake Dawson Waldron, Frechill, Malleison Stephen Jaques, Phillips, Fox, Hunt & Hunt, Coltrains	AMP National Mutual, Sedgwick Noble Lowndes	Industry Fund Services, Quentin Ayers	VIC Auditor General	Self	Yes
VSB-VSUPER Victorian Superannuation Board Vic. Super. Fund	84153	99343	438		8	Towers Perrin	Blake Dawson Waldron, Frechill, Fox, Hunt & Hunt, Coltrains	AMP National Mutual, Sedgwick Noble Lowndes	Industry Fund Services, Quentin Ayers	VIC Auditor General	Self	Yes
VSB-VSUPER Victorian Superannuation Board Vic. Super. Fund - Balanced			35		8	Towers Perrin	Blake Dawson Waldron, Frechill, Fox, Hunt & Hunt, Coltrains	AMP National Mutual, Malleison Stephen Jaques, Phillips	Industry Fund Services, Sedgwick Noble Lowndes	VIC Auditor General	Self	Yes
VSB-VSUPER Victorian Superannuation Board Vic. Super. Fund - Cash			95		8	Towers Perrin	Blake Dawson Waldron, Frechill, Fox, Hunt & Hunt, Coltrains	AMP National Mutual	Industry Fund Services, Sedgwick Noble Lowndes	VIC Auditor General	Self	Yes
VSB-VSUPER Victorian Superannuation Board Vic. Super. Fund - Equity Growth			13		8	Towers Perrin	Blake Dawson Waldron, Frechill, Fox, Hunt & Hunt, Coltrains	Malleison Stephen Jaques, Phillips	Industry Fund Services, Sedgwick Noble Lowndes	VIC Auditor General	Self	Yes
VSB-VSUPER Victorian Superannuation Board Vic. Super. Fund - Growth			106		8	Towers Perrin	Blake Dawson Waldron, Frechill, Fox, Hunt & Hunt, Coltrains	AMP National Mutual, Malleison Stephen Jaques, Phillips	Industry Fund Services, Sedgwick Noble Lowndes	VIC Auditor General	Self	Yes
VSB-VSUPER Victorian Superannuation Board Vic. Super. Fund - Capital Stable			325		8	Towers Perrin	Blake Dawson Waldron, Frechill, Fox, Hunt & Hunt, Coltrains	AMP National Mutual, Malleison Stephen Jaques, Phillips	Industry Fund Services, Sedgwick Noble Lowndes	VIC Auditor General	Self	Yes
WESTERN AUSTRALIA												
WA-CISF WA Coal Industry Superannuation Fund	1003	960	55	2	5	Williamson Nance P/L	Deacons Graham & James	Prudential	Williamson Nance P/L	Office Of Aud. General	Self	Yes
WA-FIRE Western Australian Fire Brigades Superannuation Fund	1062	1103	148	3	3	Williamson Nance	NA	Citicorp	Williamson Nance	Arthur Anderson	Self	Yes
WA-GES WA Government Employees Superannuation Fund	224788	238531	1344	168	7	William M. Mercer	Blake Dawson Waldron, Crown Solicitor	Self	NA	Auditor General	Self	Yes
WA-GRB Western Australian Government Railways Employees' Endowment Fund	795	784	6	5	6	Williamson Nance	Chris Hogan	National Mutual	Williamson Nance	Stanton Partners	William M. Mercer	Yes
WA-LGSP WA Local Government Super. Plan - Balanced	18413	16442	251	268	6	Williamson Nance	Malleison Stephen Jaques	National Mutual	Williamson Nance	BDO Nelson Babhill	NA	Yes
WA-LGSP WA Local Government Super. Plan - Capital Stable						NA	NA	NA	NA	NA	NA	Yes
WA-LGSP WA Local Government Super. Plan - Cash Option						NA	NA	NA	NA	NA	NA	Yes
WA-LGSP WA Local Government Super. Plan - Growth Plus						NA	NA	NA	NA	NA	NA	Yes
Total	2570588	2638547	62105	70330	1732	343						

NAME OF FUND	YEAR TO 30 JUNE 1998 (%)	Crediting Rate
WA Local Government Superannuation Plan - Growth Plus	18.8	18.8
WA Local Government Superannuation Plan - Balanced	17.4	17.4
Energy Industries Superannuation Scheme (EISS) Pool B	15.4	15.4
Energy Industries Superannuation Scheme (EISS) Pool A - High Growth	15	15
Local Government Superannuation Scheme Pool B	14.3	14.3
Superannuation Scheme For Australian Universities (SSAU)	13.8	13.8
Victorian Superannuation Board Victorian Superannuation Fund - Equity Growth	13.6	13.6
Queensland Local Government Superannuation Scheme	13	13
Victorian Superannuation Board State Superannuation Fund Retirement Benefits Fund	12.9	12.9
Electricity Supply Industry Superannuation Fund (QID)	12.7	12.7
Local Government Superannuation Scheme	12.6	12.6
Victorian Superannuation Board Victorian Superannuation Fund - Growth	12.6	12.6
Energy Industries Superannuation Scheme (EISS) Pool A - Diversified	12.5	12.5
Local Authorities Superannuation Fund	11.8	11.8
Western Australian Fire Brigades Superannuation Fund	11.7	11.7
Coal Industry Superannuation Fund	11.6	11.6
WA Local Government Superannuation Plan (Capital Stable)	11.6	11.6
Energy Industries Superannuation Scheme (EISS) Pool A - Balanced	11.3	11.3
NSW State Super - The Pooled Fund	11	11

The top-performing public-sector funds are often growth-oriented, with typically higher-than-average allocations in local and overseas shares and property. The best performer was the growth fund of the Western Australian Local Government Superannuation Plan with an 18.8% crediting rate, followed by its balanced fund with 17.4%. The new NSW-based Energy Industries Superannuation Scheme, which broke away from State Super, was also a top performer: the Pool B fund's crediting rate hit 15.4% and the Pool A fund, which is high-growth, returned 15%.

The generous benefit structure of some public-sector schemes is reflected in the high level of assets per member. The Reserve Bank Officers Superannuation Fund has the most assets per member with \$221,117, followed by the Public-Sector Executive Superannuation Scheme (trustee is HSS Trustee Corporation) with \$173,800, the Western Australian Fire Brigades Superannuation Fund with \$150,498 and the Energy Industries Superannuation Scheme Pool B with \$148,994.



FUND ACTUARY

Other: 3%

Buck Consultants: 5%

Old State Actuary: 9%

Aus Govt Actuary: 17%

Towers Perrin: 29%

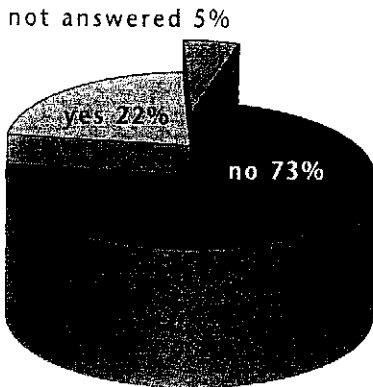
This actuary's market share is based on asset size.

Who's Who of Industry Funds

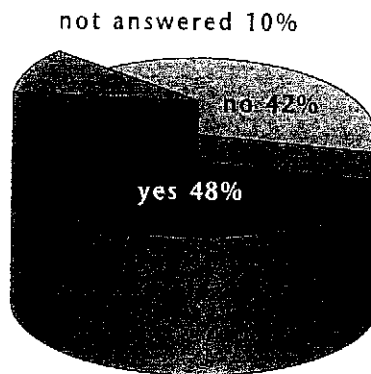
Initials	Name of Fund	Total Members (30.6.97)	Total Assets (\$m) (30.6.97)	Total Assets (\$m) (30.6.98)	Total Assets (\$m) (30.6.99)	Number of Employees	Number of Trustees/Directors	Law Firm	Insurer	Asset Consultant	Auditor	Administrator	Admin Fees (per week)	Member Investment Choice
AFAP	Australian Federation of Air Pilots Approved Deposit Fund	213	199	19	18			Mellison Stephen Jovari	AMP	NA	Other	AFAP		
AGEST	Australian Government Employees Superannuation Trust	123059	111159	187	223		7	IFS Fairley	AMP	Towers Perrin	Arthur Anderson	IMI	0.32	
AHNSIT	Australian Horticulture & Nursery Industry Superannuation Trust	2454	2475	3	4	166	6	Abrams & Assoc.	AMP	NA	Prestley & Morris	Strategic Super	0.98	
AISF	The Aviation Industry Superannuation Fund	5519	5559	20	24		6	NA	National Mutual	Towers Perrin	Deloitte Touche Tohmatsu	IMI	0.8	
AMST	Australian Meat Industry Superannuation Trust	37292	92698	121	150	2400	5	Kemp Strang	AMP	Industry Fund Services	Arthur Anderson	AAS	0.8	
AMT	Australian Retail Industry Superannuation Trust	388421	394240	1490	1756	20283	13	IFS Fairley	AMP	John Nolan and Associates	Arthur Anderson	AAS	0.8	
ASSET	Australian Superannuation Savings Employment Trust	79527	85920	179	220	551	3	Biale Dawson Waldron	AMP	John Nolan and Associates	Arthur Anderson	AAS	0.8	
AUST(O)	Allied Unions Superannuation Scheme - Queensland	12834	14542	32	39	895	5	Cors Chambers Westgarth	Colonial Mutual	Industry Fund Services	KPMG	Standard	0.93	Yes
BCSS	Bio and Grain Superannuation Scheme	9253	9991	33	40	640	5	Legal and General	Legal & General	Mercantile Mutual	Hill Chadwick	IMI	1	Yes
BOSS(Q)	Building Unions Superannuation Scheme (Queensland)	33496	36650	169	203	1806	6	Cors Chambers Westgarth	Legal & General	Mercantile Mutual	Fisher Russell	Legal and General	0.79	
CBUS	Construction and Building Unions Superannuation	283378	291001	1754	2021	5118	14	IFS Fairley	AMP	Industry Fund Services	Hill Chadwick	IMI	0.85	Yes
CARE	Clerical Administrative and Related Employees Superannuation Plan	147668	159706	442	566	17000	6	IFS Fairley	AMP	Industry Fund Services	Arthur Anderson	IMI	0.85	Yes
CILBPLUS	Club Plus Superannuation Scheme	97315	104276	246	304	1629	14	Miner Ellison	Citicoop	William M Mercer	Ernst & Young	AAS	1	Yes
COALSUPER	Coalminer Retirement Income Fund	18769	18560	1031	1245	246	6	Milneson Stephen Jaques	Handover life	William M Mercer	DeLoitte Touche Tohmatsu	MLC	0.45	Yes
CONCEPT ONE	Concept One Superannuation Plan	14244	14081	41	48	837	4	Deacons Graham James	Handover life	Western Pacific Portfolio	Pricewaterhouse	Self	0	
CONNECT	Connect	22912	24239	94	119	2577	9	NA	Mercantile Mutual	William M Mercer	KPMG	AAS	1	
CRSS	Commercial Radio Industry Superannuation Scheme	3276	3486	13	19	118	4	NA	AMP	NA	KPMG	AAS	1	
CSP	Catholic Superannuation Fund	2197	23253	627	734	858	12	Purves Clarke Richards	Self Insured	William M Mercer	McLean Delmo & Partners	AAS	1	
FINSUPER	Finance Superannuation Fund	31957	32105	137	156	574	6	Abbot Trust	Prudential	John Nolan and Associates	Arthur Anderson	AAS	0.7	
FIRST	Furniture Industry Retirement & Superannuation Trust	28843	31821	84	102	2334	8	NA	Citicoop	William M Mercer	Arthur Anderson	AAS	1	
GIST	Gas Industry Superannuation Trust	1380	1376	9	10	246	4	NA	Citicoop	Seagrove Noble Lowndes	Arthur Anderson	IMI	1	
HAR FUND	Hair Association Industry Retirement Fund	8495	9639	13	16		8	Tetral & Partners	Citicoop	William M Mercer	Price Waterhouse	IMI	1	
HESTA	Health Employees Superannuation Trust Australia	315583	349979	1156	1477	11388	11	IFS Fairley	Tyrifall	Industry Fund Services	BDO	HFA Pty Ltd	1	
HOSPPLUS	Host Plus Superannuation Fund	281893	313814	540	729	10478	14	Miner Ellison	National Mutual	Industry Fund Services	Arthur Anderson	AAS	0.9	Yes
HOSTSUPER	Host Super (formerly Host Plus (Qld))	64058	71022	113	143	1760	6	McCullough Robertson	Death - MLC DI - Jendall	Seagrove Noble Lowndes	Pricewaterhouse	IMI	0.9	Yes
HOSTWEST	Host West Superannuation Fund	28852	32339	35	44		4	NA	National Mutual	Alliance	Coopers & Lybrand	AAS	0.85	Yes
INVEST	Independent Victoria Education Superannuation Trust	2874	3094	18	23	178	4	NA	Citicoop	Industry Fund Services	Deloitte Touche Tohmatsu	IMI	1	
IS5	Independent Schools Superannuation Trust	8546	9566	82	118	307	8	Physons	Colonial Mutual	Industry Fund Services	Price Waterhouse	IMI	1	
JUST	Journalists Super Trust	30500	34400	128	156	4400	11	IFS Fairley	Mercantile Mutual	Industry Fund Services	Price Waterhouse	IMI	0	
LEF	Law Employees Superannuation Fund	5488	5933	18	24	680	4	McCullough Robertson	Rubin Ashken Group	Industry Fund Services	Deloitte Touche Tohmatsu	IMI	0.75	
LST	Law Industry Superannuation Trust	14087	15027	64	85	1859	6	Mellison Stephen Jaques	Insurance Trust	NA	KPMG	Self	1	
LC-CRF	Labour Union Co-operative Retirement Fund	121800	135600	410	493	2500	12	A C & L	A C & L	Seagrove Noble Lowndes	Ernst & Young	AAS	1	
MIESF	Meat Industry Employees Superannuation Fund Pty Ltd	38174	28809	135	156	251	14	Ryan Carole Thom	Mercantile Mutual	James Purns Pty Ltd	Arthur Anderson	Self	1	
MIAA SF	MIAA Superannuation Fund	197060	207886	532	699	13068	9	Call Kane & Brophy	Self	PricewaterhouseCooper	Haines Norton	Self	0.8	
NCSE	National Catholic Superannuation Fund	26414	27719	128	156	664	5	Furves Clarke Bernard	Handover life	Access Economics	Arthur Anderson	IMI	1	Yes
NESS	New South Wales Electrical Superannuation Scheme	9714	10433	50	64	1238	5	Clayton Utz	AMP	William M Mercer	KPMG	Insurance	1.15	
NCG-SUPER	Non-Government Schools Superannuation Scheme	40331	46590	270	345	377	8	Kemp Strang	Prudential	William M Mercer	Deloitte Touche Tohmatsu	AAS	1	
OAMPS	OAMPS Industry Fund	11533	12456	56	65		6	NA	National Mutual	Avon Pacific Mgmt	Ernst & Young	MLC	1	
PHESF	Private Healthcare Employees Super Fund	21642	22643	94	114	458	10	Jacques Martin	National Mutual	IPAC	TASG	TASG	1	Yes
PISE	Printing Industry Superannuation Fund	65418	70916	307	376	2365	13	Mellison Stephen Jaques	Mercantile Mutual	William M Mercer	Deloitte Touche Tohmatsu	IMI	1	Yes
QCOS	Queensland Coal & Oil Shale Mining Industry Superannuation Fund	16216	16208	688	810	90	6	Miner Ellison	Handover life	NA	Deloitte Touche Tohmatsu	AAS	0.8	
QRCR	Queensland Roman Catholic Retirement Plan	12900	13000	160	188	24	6	Cors Chambers Westgarth	AMP	NA	Greenwood Knibbs RBM	Self	1	
REASF	Real Estate Institute of Australia Super Trust	18260	20217	84	113	4107	8	IFS Fairley	AMP	Industry Fund Services	Ernst & Young	Self	1	
RSEF	Retail Employees Superannuation Trust	830000	800000	1500	2100		3	Phillips Fox	Handover life	Seagrove Noble Lowndes	Arthur Anderson	Seagrove Noble Lo	1.1	
RSST	Recruitment Services Superannuation Trust	4400	48244	64	85	330	6	William M Mercer	Prudential	John Nolan and Associates	BDO	AAS	0.25	Yes
SEAFABERS	Seafarers Retirement Fund	7007	8177	61	731	47	8	Mellison Stephen Jaques	Legal & General	Towers Perrin	Arthur Anderson	AAS	0.53	Yes
SEB	Seafarers Superannuation Trust	4464	4464	429	465	90	6	Blake Dawson Waldron	Self	Towers Perrin	Arthur Anderson	Self	0	
SPEC(Q)	Stevedoring Employees Retirement Fund	9105	9960	44	53	1503	3	Cors Chambers Westgarth	Colonial Mutual	Industry Fund Services	Coopers & Lybrand	Self	0	
STA	Statewide Superannuation Trust of Australia	301870	318205	422	1694	11959	12	Physons	Prudential	Industry Fund Services	Malcolm V. Leake & Co.	IMI	1	Yes
STATEWIDE	Statewide Superannuation Trust	60502	71544	154	172	10000	14	Deacons Graham James	Citicoop	Industry Fund Services	Arthur Anderson	IMI	1	Yes
SUNSUPER	Sunsuper	444147	500637	962	1237	37920	6	Cors Chambers Westgarth	Sunsuper	Industry Fund Services	Nelson Wheeler	Other	0.8	Yes
TASPLAN	Tasplan	66788	69821	135	164	4500	8	Hubbard & Co	National Mutual	William M Mercer	Price Waterhouse	AAS	1	Yes
TIS	Tasmanian Superannuation Scheme	206996	225799	643	806	130	1	Arthur Robinson	Handover life	NA	Moore Robinson	AAS	0.95	Yes
TIS	Tasmanian Superannuation Scheme	5483	6060	12	16	NA	7	NA	Handover life	NA	Arthur Anderson	Other	0.53	
TRANSECURE	Transport Employees Security Scheme	4367	4720	13	17	474	6	Phylys Fox	A C & L	Personal Investment Planners	McCullough & Co	Other	0.6	
TWU	TWU Superannuation Fund	130851	144828	422	484	7184	10	IFS Fairley	AMP	Industry Fund Services	Arthur Anderson	IMI	0.85	Yes
VISF	The Victorian Inland Transport Superannuation Fund	4602	5223	149	168	56	8	IFS Fairley	Prudential	William M Mercer	Ernst & Young	AAS	1.4	Yes
WESTSCHEME	Westscheme	75344	8137	225	292	484	7	Mellison Stephen Jaques	Tower Life	IPAC	AJ Williams	TSS	0.9	Yes
TOTAL		4,986,624	5,292,226	18,725	23,093									

Portable Liquor Superannuation Scheme (Plus) has been merged with Host-Plus

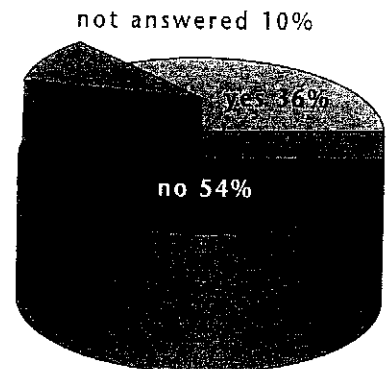
Have you expanded your marketing activities in the past 12 months?



Do you have any plans to expand marketing activities in the coming 12 months?



Is choice of fund in your members' best interests?



AVERAGE ASSETS PER MEMBER

The generous benefit structure of some corporate schemes is reflected in the high level of assets per member. The corporate schemes for executives have higher levels, in some cases five times the amount, than those for staff.

Airline industry schemes have particularly robust levels of superannuation. The 33 members of the Ansett Australia Flight Engineers Superannuation Plan have assets of \$545,454 per member; the Ansett Australia Pilots Management Superannuation Plan have assets of \$188,481 per member, the Qantas Airways Limited Staff Superannuation Plan has assets of \$121,072, the Ansett Australia Flight Attendants Superannuation Plan has assets of \$59,817 per member and the Ansett Australia Ground Staff Superannuation Plan has assets of \$55,655 per member.

CHOICE-OF-FUND

Corporate funds are not convinced of the merits of choice-of-fund. Even though it is unlikely that the choice-of-fund legislation will eventuate in the short term, comments from corporate funds are worth noting.

Overwhelmingly, corporate funds say an intensive education campaign is necessary before people can make informed choices.

"A properly focused communication and education program which is both interesting and relevant to members is an essential precursor to choice-of-fund," said the fund manager of one of the oldest and most respected corporate funds.

Another fund secretary said choice-of-

fund will introduce unnecessary costs and complexity. Instead, he suggested "flexibility of design, such as choice of investment and contribution levels, and partnership between employers, trustees and fund members are much more important and more cost-effective for employers and fund members than choice-of-fund."

One fund pointed out that most members will never be sufficiently educated to make appropriate investment decisions – and few wish to be.

A number of corporate funds believe that member investment choice provides ample choice in a plan – particularly if the employer is covering all administration and insurance costs.

Defined benefit funds would be disad-

vantaged in a choice-of-fund environment, they said.

ASSET ALLOCATION

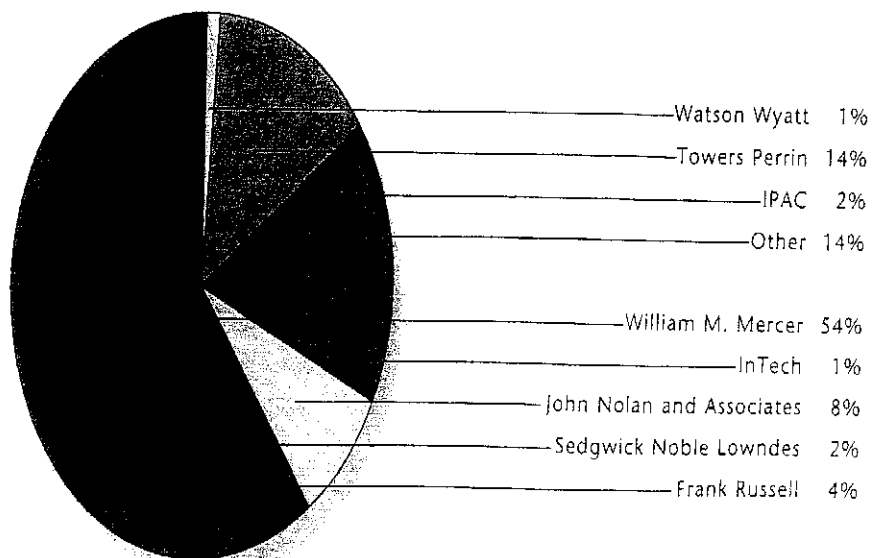
Not surprisingly, defined-benefit funds hold a higher proportion of funds in equities than accumulation funds. They can pursue a more aggressive investment strategy, rather than being at the mercy of the gyrations of the investment markets.

Accumulation funds have domestic and international equity weightings about 5% lower than defined-benefit funds. Property is 1% lower for accumulation funds.

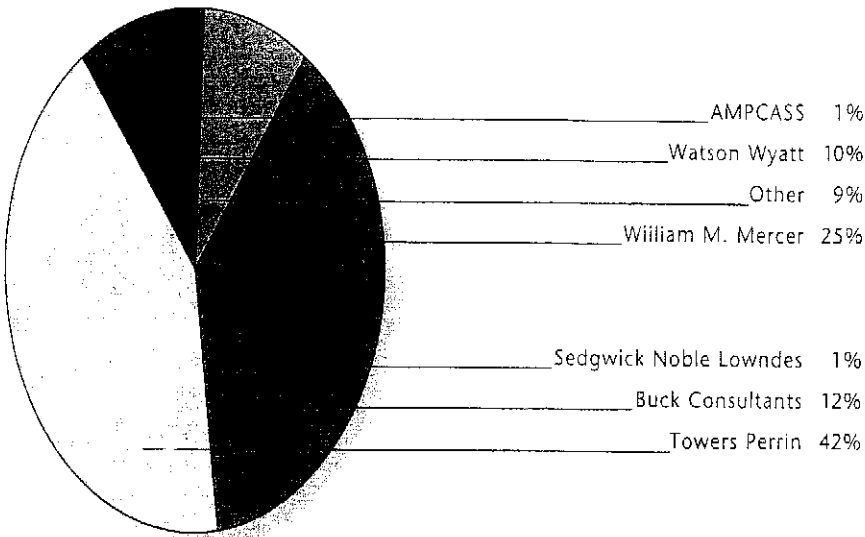
The more aggressive investment strategy of defined-benefit funds, where the employer bears the investment risk, is evident in the higher total equities and prop-

ASSET CONSULTANTS

The asset consultants' market share is based on asset size



FUND ACTUARY The insurers' market share is based on membership



William M. Mercer dominates the lawyers with 33% market share, followed by Mallesons Stephen Jacques with 25%. While 25% of corporate funds self-insure, 20% use AMP and National Mutual.

Mercer is also the dominant asset consultant with 54%, well ahead of Towers Perrin's 14%.

Towers Perrin is the preferred communications consultant.

INVESTMENT MANAGERS

The pattern of investment-management selection by corporate funds is similar to their public-sector and industry counterparts. For example, the favoured manager of Australian equities is Maple Brown Abbott, followed by Portfolio Partners, J.P. Morgan, Hambros Hopkins and Colonial First State.

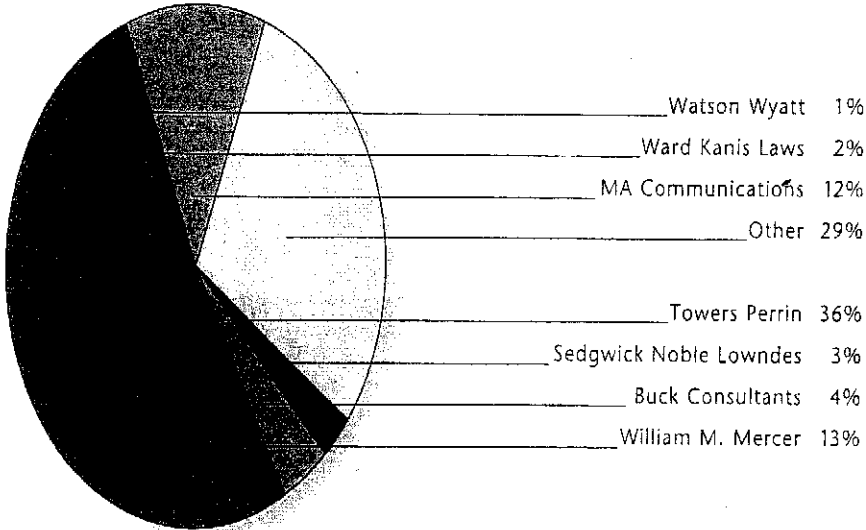
International equity managers are headed by Lazard Freres and followed by Barings, Alliance Capital, J.P. Morgan, Fleming, Capital Investment, Salomon Smith Barney and Credit Suisse.

The most popular fixed-interest manager is UBS Brinson followed by AMP, BT, Norwich, Macquarie, County, NFMF, Westpac and Barclays.

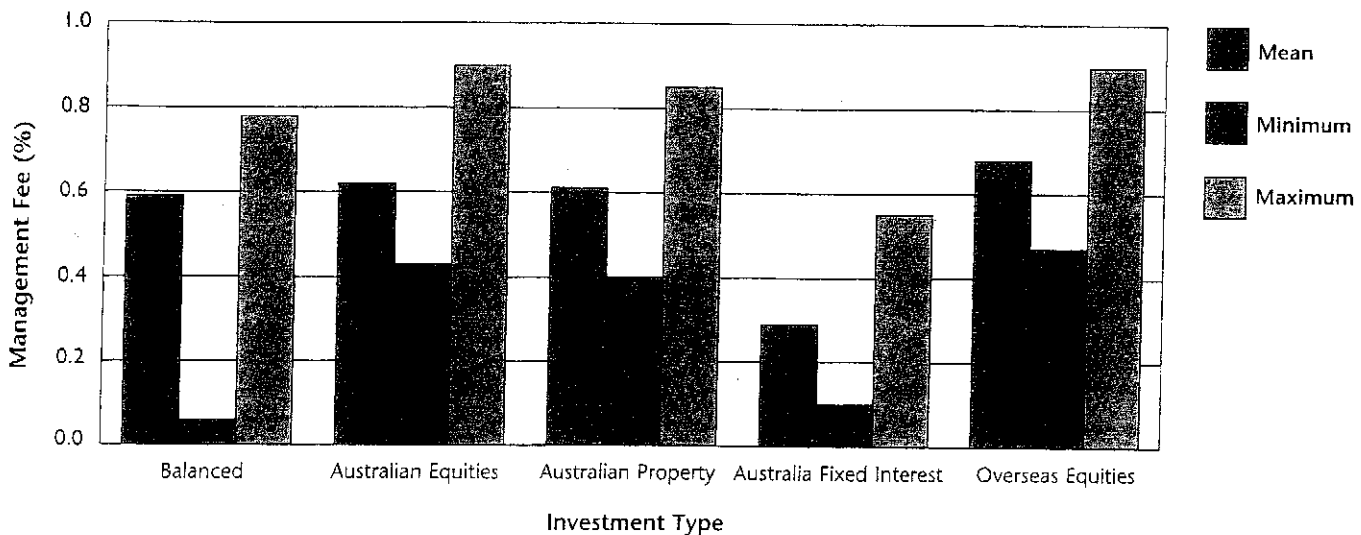
BT heads the list of international fixed-interest managers with a lion's share of the market. Next are Norwich, UBS Brinson and AMP.

AMP is the preferred Australian property manager, followed by Lend Lease and Schroders, Morgan Grenfell. BT is the popular tactical asset allocation manager, together with State Street Global Advisors and J.P. Morgan.

COMMUNICATIONS CONSULTANTS
The consultants' market share is based on membership



INVESTMENT MANAGEMENT FEES



APPENDIX 3

Submission from Fiona Ogilvy-O'Donnell

**A.W. OGILVY SUPERANNUATION FUND
LIST OF MATTERS FOR GUIDANCE**

1. Was the Fund issued with an Occupational Superannuation Commission number on its establishment in 1987?
2. Who were the registered Trustees of the Fund on an annual basis during the period June 1987 to May 1999?
3. Who were the auditors of the Fund on an annual basis from June 1987 to May 1999?
4. Did the Trustee(s) (or Towers Perrin) provide the required audit statements and certificates to the Occupational Superannuation Commission/Industry Superannuation Commission each year in the years 1987 to 1999?
5. What documentation, if any, should the former Trustee (or Towers Perrin) have provided to us when we assumed our role as Trustees?
6. What were the obligations owed by the Trustee and/or Towers Perrin to our late father from the date the fraud was discovered on 9th December, 1996 until his death on 23rd April, 1997?
7. What were the obligations owed by the Trustee and/or Towers Perrin to the Executors of the estate of the late Alex Ogilvy from the date of his death until the date upon which we assumed trusteeship?
8. Can APRA exercise any authority to help us identify the previous Trustees and secure the previous Trustees and/or Towers Perrin's documentation relating to the Fund?

Australian Prudential Regulation Authority



14 December 1999

Insurance and Superannuation
Telephone: 03 9246 7517
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E-Mail: mondira.mukerjee@apra.gov.au

Ref No.: M99/00890/M1199154

The Trustees
Alexander Wills Ogilvy Superannuation Fund
7 Riverside Road
HAWTHORN VIC 3122

Dear Trustees

ALEXANDER WILLS OGILVY SUPERANNUATION FUND

We refer to your letter dated 15 November 1999 requesting certain information from APRA in relation to the abovementioned fund.

A search of our database under the name provided by you has indicated that there is no record of this fund on our system. This means that the fund did not lodge any annual returns with the former Insurance and Superannuation Commission (ISC) under the former Occupational Superannuation Standards Act 1987 (OSSA) between the income years 1987 to 1994.

Further, according to our database, the trustees did not elect to become a regulated fund under the Superannuation Industry (Supervision) Act 1993 (SIS) and they did not lodge any annual returns with APRA for the income years 1995 to 1998. From this information the fund appears to have been and is a continuously non-complying unregulated fund.

In the light of the above, we are unable to provide you with any of the information requested under items 1,2,3, and 4 of Appendix 3 to your letter. With regard to items 5 to 8, whilst some guidance has been provided below, it should be noted that it is not the role of APRA to provide legal opinions in relation to the operations of a superannuation fund. Accordingly, the trustees are urged to seek further legal advice in this matter.

The above said, as a guideline, responses to the items 5 to 8 are provided below. It should be noted that these responses are not comprehensive and much of the information provided in these responses may not be relevant in respect an unregulated fund.

5. The trustee of a regulated superannuation fund is required to maintain all relevant records of the trustee decisions in respect of the superannuation fund including records of changes of trustee. The trustee is also required to keep all member reports for at least ten years. It would be a prudent practice to hand over all of the relevant records and reports to the new trustee when it takes over the management of the fund.

6. The trustee of a regulated superannuation fund is required to notify APRA immediately after becoming aware of a significant adverse event in respect of a member's benefit.
7. The trustee of a regulated superannuation fund is required to pay the death benefit in respect of a member to either the member's dependant or to the member's legal personal representative.
8. As stated above, a search of our database indicates that the fund may be unregulated. APRA does not have any powers over, or authority in respect of, unregulated funds.

We regret being unable to assist you any further in this matter.

Yours sincerely



Gordon Walker
Senior Manager
Melbourne