

# **Senate Select Committee on Superannuation and Financial Services**

## **Main Inquiry Reference (a)**

**Submission No. 89**

**Submittor: Law Employees Superannuation  
Fund (LESF)  
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LAW EMPLOYEES SUPERANNUATION FUND

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QLS Superannuation Pty Ltd ACN 069 798 998

of Australian Administration Services An AMP Company

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Senator John Watson  
 Committee Chair  
 Select Committee on Superannuation  
 And Financial Services  
 Parliament House  
 CANBERRA ACT 2600

31 October 2000

By Facsimile: (02) 6277 3130

Dear Senator

I enclose the following documents which provide further details of the Law Employees Superannuation Fund:

- Administration Agreement with AAS (effective from 1 May 2000);
- Previous Administration Agreement;
- Audited accounts for year 30 June 2000;
- Correspondence with Mrs Reading;
- The Members' Annual Return is on time in preparation and is with the printers and will be sent to you probably late next week.

I understand that all the outstanding information has been given to Mrs Reading, and AAS has prepared the following summaries to your outstanding questions.

- The preparation of the 30 June 1999 Annual Report was prepared by the Administration Company LESF Services Pty Ltd. When it refers to the 30 June 1998 Annual Report, the same table is used to report the results up to 31 January 1998. Given that the crediting rates for the past five years were all included on the previous page of the 30 June 1999 Annual Report, I surmise that in the preparation or printing of the report, this table was transposed from the 98 year in error and the error was not noticed. The table should have been updated to include the half part 1999 year details. I have assumed in the absence of the other information, this error was a human error and in no way intentional. I will be sending you a copy of this year's Annual Report prepared by the new Administrator Australian Administrative Services when it comes from the printers which reflects these details correctly.
- With respect to the write-off for the doubtful debt in regard to the direct loan made to John William Perdriau, which is secured by a mortgage over The Southport Children's Education Centre, the transaction runs over 3 financial years of changing circumstances. The loan to Perdriau was approved by the Board in May/June 1997, and drawn down on 4<sup>th</sup> July 1997, and was for an amount of \$2,500,000. At the time of making the loan the mortgaged property was valued at \$3.475m (debt to equity ratio 72%). Receivers were appointed on 10 November 1999.

*documents not provided  
 by author, therefore  
 documents are not attached  
 sm  
 11/12/00*

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- For the purpose of June 98 accounts \$119,521 was included as doubtful debts. For the 99 abridged accounts the property was re-valued and \$520,948 was included as a write down on provision for doubtful debts. You will see from note 15 of the June 2000 accounts that the position is updated again, and an additional allowance was made for potential cost of disposal. There is a present value of between \$1.6 million and \$1.7 million and a provision of \$919,521 to reflect the present advice of the value of the business and real estate, after allowance for resale costs. It is hoped the receivers can sell the property next year. The receivers and managers, Ferrier Hodgson continue to operate the childcare centre and provide monthly updates to the fund, and the loss of value seems to have stopped and children numbers are building up again. The fund is aiming to maximise the return on the sale of the centre and therefore we are working closely with the receivers to engage a sale at a point in time when the sale value can be maximised, possibly by March/April 2001. We hope the whole business is concluded by the end of this financial year, and the present Board has no intention of making further such loans.

I include a copy of the audited accounts for the year ending June 2000 which has, in note 15 an up to date position of the write down.

- The choice of funds is an interesting question. With respect to the "legal" services industry our enquiries indicate, there are no Award requirements to pay into any specific fund. There are no large blocks of employees from particular employers or firms in LESF and the membership appears wide based. Therefore employees and employers in the industry are free and appear to exercise that freedom to choose their choice of fund. Some employers may elect to provide a choice to their employees but some may choose to provide only one option. Some of the large firms may have an EBA in place that specifies the superannuation fund choices for staff.

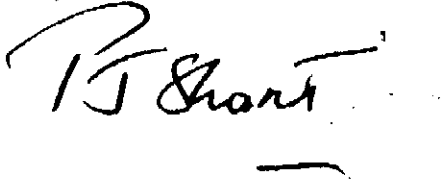
Therefore LESF is one fund of many that employers in the legal industry may choose. Some obvious alternative choices are Sunsuper, CARE or a corporate style fund or Master trust. The list of options really is endless. An attraction of LESF is that it was established for the legal services market and the Board is made up of employer and member representatives from the industry. However, ultimately employers and employees apparently consider LESF together with all other superannuation fund options in make their choice of which fund to choose.

- The arrangements with the Mr Parker were before my time and I have no first hand knowledge of the negotiations or documents. The arrangements have now been terminated. The AMP subsidiary AAS took over effective Monday, 1<sup>st</sup> May 2000. AAS have looked through the records which are predominately copies of Board papers, minutes and investment correspondence received from Gerald Parker and say it is difficult to ascertain exactly how the fees paid to Mr Parker to administer the fund, were split up. The financial accounts to June 1999 outline an amount of \$502,510 paid to LESF Services Pty Ltd. Of this amount I am unsure how much (if not all) was paid to Gerald Parker himself and how much might be overheads. Further there was a total payment for the same period of \$127,331 for management and secretarial services paid to Just Consulting Pty Ltd in which Mr Parker was (is) a consultant. The 30 June 1998 Annual Report lists "Other General Administration Expenses" as being \$469,219 - AAS are unsure how much of this would have been paid to Mr Parker.

AAS have spent a considerable amount of time trying to get the split up, but do not have access to Mr Parkers private papers. Perhaps Mr Parker himself can best answer the questions and provide from his tax return and company records the final details and the split up of fees.

Can you please tell me if I can be of further help. I should mention that the Audit has been concluded this year on time and to the satisfaction of KPMG, and the Members Statement and Annual Return are to be on time as well, so it seems that the Fund is back onto an even keel. We propose now to move onto reviewing the arrangements for Member Choice and the appointment of Investment Advisors to see if we can reduce the overheads in that area.

Yours sincerely



(Peter J Short)