

## 5. Trustees

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## Trustees

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### ARIA trustees

ARIA was established under the *Superannuation Act 1990* and is licensed under the *Corporations Act 2001* and the *Superannuation Industry (Supervision) Act 1993 (SIS Act)*. ARIA manages the CSS, PSS and PSSap in accordance with the provisions of the CSS, PSS and PSSap Acts, and is responsible for the management and investment of the three superannuation schemes. See the functional chart in Appendix C.

### Trustee members

The Minister for Finance and Deregulation appoints the seven trustees of ARIA. Three are nominated by the government as employer, three by the Australian Council of Trade Unions (ACTU) and the Chairman is independent.

The Chairman and the ACTU nominees are appointed for periods not exceeding three years (but are eligible for reappointment) and the other members hold office for such period as the Minister determines. Members holding office between 1 July 2008 and 30 June 2009 are:



**Ms Susan Doyle**  
**Chairman**  
First appointed  
28 July 2003  
Term expired  
27 July 2009

Ms Susan Doyle was appointed Chairman of ARIA on 28 July 2003. Ms Doyle has many years experience in the area of superannuation and investments. Ms Doyle has worked for Commonwealth Funds Management, Suncorp Insurance and Finance and IAG Ltd. Ms Doyle holds several non-executive board positions including Guardian of the Future Fund.



**Mr Steven Crane**  
First appointed  
1 October 2007  
Term expires  
30 September 2010

Mr Crane is a Member of the RBS Advisory Council, Chairman Global Valve Technology Limited, a Director of Transfield Services, the Sunnyfield Association, APA Ethane Limited, Taronga Conservation Society Australia and the Bank of Queensland. He started his career in the financial markets with AMP and has held various positions including Chief Executive of BZW Australia and ABN AMRO. He has also been a non-executive director of listed companies Investa Property Group (Chairman 2006-2007), Foodland Associates (2003-2005) and Adelaide Bank (2006-2007).

## Trustees



**Mr Brian Daley**  
 First appointed  
 19 March 2009  
 Term expires  
 12 March 2012

Mr Daley has extensive experience in the superannuation industry having been an advocate for award superannuation in the 1980s and a trustee of a number of industry funds since that time. He is a trustee of AustralianSuper and HOSTPLUS as well as having been a representative on the Australian Institute of Superannuation Trustees, Industry Fund Services and state and federal committees of the Association of Superannuation Funds of Australia. He is also a director of the Industry Super Property Trust (ISPT).

Mr Daley is also National President of the Liquor, Hospitality and Miscellaneous Union (LHMU).



**Mr Peter Feltham**  
 First appointed  
 1 July 2005  
 Term expires  
 17 July 2012

Mr Feltham is also a member of the Audit and Risk Management Committee. Mr Feltham is an Industrial Officer with the CPSU, the Community and Public Sector Union. He has worked for the CPSU and its predecessor organisations for more than 20 years in a range of capacities at the state and national level as both an employee and official. Before this Mr Feltham worked for 10 years in the federal public service.



**Ms Margaret Gillespie**  
 First appointed  
 1 October 2007  
 Term expires  
 30 September 2010

Ms Gillespie is a former Assistant National Secretary of the Community and Public Sector Union (2003-2008). She served two terms as a Vice President of the ACTU (2003-2007). Ms Gillespie is also a member of the ACT Ministerial Advisory Council on Women, the Council of the University of Canberra and the ACT Land Development Agency.

## Trustees

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**Ms Winsome Hall**  
First appointed  
1 July 1996  
Term expires  
30 September 2010

Ms Hall is Chair of the ARIA Audit and Risk Management Committee. Ms Hall is a non-executive director of various entities including State Super Financial Services, appointed by ARIA, Zurich Australian Superannuation Limited and various commercialisation funds as a nominee of Westscheme. Ms Hall has provided best practice advice to the Association of Superannuation Funds Australia and was previously a Senior Advisor in the Department of the Prime Minister and Cabinet and Secretary of the ACT Branch of the CPSU from 1989 to 1993.



**Mr Dennis Trewin AO**  
First appointed  
20 December 2007  
Term expires  
30 September 2009

Mr Trewin is also a member of the Audit and Risk Management Committee. Mr Trewin is a statistical consultant having undertaken contracts for the United Nations, World Bank, OECD and the governments of Brazil, Korea and New Zealand. He is also Chairman of the Advisory Board of the ARC Centre of Excellence for Coral Reef Studies, and Associate Commissioner for the Productivity Commission Enquiry into the contribution of the not-for-profit sector to Australian society. Past roles have included head of the Australian Bureau of Statistics, Deputy Australian Statistician and Deputy Government Statistician in New Zealand.

Mr Trewin has been awarded an AO for his contribution to Australian and international statistics.

## Trustees

**Mr David Connolly AM**

First appointed  
19 September 2002  
Term expired  
18 September 2008

Mr Connolly was also a member of the ARIA Audit and Risk Management Committee. Mr Connolly is Chairman of Rice Warner Actuaries and serves as a part-time member of the Administrative Appeals Tribunal, the Refugee Review Tribunal and the Migration Review Tribunal. He was a career diplomat for a number of years and held the post of Australia's High Commissioner to South Africa. Elected to the Australian Parliament (1974–1996), he served as Chair of the Public Accounts Committee and held various shadow portfolios, including superannuation and retirement incomes.

Mr Connolly was awarded an AM for service to the Parliament of Australia, to the development of superannuation policy reform, to international relations, and to the community.

## Trustee and trustee committee meetings

ARIA has constituted an Audit and Risk Management Committee and may from time to time constitute other trustee committees.

The Audit and Risk Management Committee comprises:

Ms Winsome Hall	Chairman
Mr Peter Feltham	Member
Mr Dennis Trewin	Member
Mr David Connolly	Member (until his term expired)

**Table 1: Trustee and trustee committee meeting attendance 2008/09**

	Trustee meetings		Audit and Risk Management Committee meetings	
	Attended	Eligible to attend	Attended	Eligible to attend
Susan Doyle	10	10	0	0
Steven Crane	9	10	0	0
Brian Daley	2	2	0	0
Peter Feltham	9	10	5	5
Margaret Gillespie	10	10	0	0
Winsome Hall	8	10	5	5
Dennis Trewin	9	10	3	5
David Connolly	2	2	2	2

## Trustees

### ARIA employees

ARIA employees are responsible for providing advice, for implementing trustee decisions and for the ongoing management of ARIA's functions and responsibilities. Specifically, ARIA employees are responsible for:

- > advising the Trustee on investment strategy
- > implementing corporate strategies and plans
- > managing the relationships between the Trustee and service providers
- > managing the Trustee's financial affairs for the administration of the CSS, PSS and PSSap
- > ensuring the Trustee meet its responsibilities to maintain correct records
- > coordinating advice from external advisers and overseeing the recommendations which go to the Trustee
- > ensuring compliance with all relevant legislation and law
- > communicating with members and, in particular, preparing and producing annual member statement packs and parliamentary reports
- > giving comprehensive administrative and executive support services to the Trustee.

### Trustee resources

#### Human resources

ARIA's CEO led a number of workshops with employees to develop and publish a series of values that aligns with the strategic business plan. One outcome of this process was the development and implementation of a new performance management system for all ARIA employees.

During 2008/09, the number of ARIA employees increased from 47 to 55 overall reflecting extra demands in investment, communication and administration functions.

#### Employee profile

**Table 2: Employee numbers at 30 June 2009**

Employment category	Male	Female	Total
Full-time employees	22	23	45
Part-time employees	3	7	10

#### Performance pay

During 2008/09, ARIA paid a total of \$798 220 in performance bonuses to 25 employees. The average performance bonus paid was therefore \$31 929.

#### Non-salary benefits

ARIA offers its employees a variety of salary packaging benefits. These are individually negotiated and benefits available for packaging include leased motor vehicles, professional membership fees and extra superannuation.

Benefits that employees may include in a salary package are those that attract either no fringe benefits tax (FBT) or a concessional rate of FBT.

### Professional development

Ongoing employee training and development is an important part of ARIA's human resource management. In addition, it helps ARIA meet the 'adequacy of resources' requirement of its APRA licence (see page 9).

During 2008/09, ARIA employees participated in a range of continuing professional development activities, including specialised courses in investment, finance and business operations.

### Occupational health and safety

Under the *Occupational Health and Safety (Commonwealth Employment) Act 1991* and the *Safety, Rehabilitation and Compensation Act 1988*, ARIA has a general duty of care that it must meet by taking all reasonably practicable steps to protect the health and safety of its employees and third parties at work. Workers' compensation managed by Comcare covers ARIA employees.

During the year there were:

- > no dangerous occurrences under section 68 of the *Occupational Health and Safety (Commonwealth Employment) Act 1991*
- > no workplace inspections carried out by Comcare
- > no remedial provisional improvement notices issued.

## ARIA's financial management

### Financial resources

ARIA is responsible for the management of the CSS, PSS and PSSap and the investment of their funds. Investment costs are met from assets of the funds in accordance with their underlying legislation. Fees paid to the Chairman and a proportion of those paid to the trustees are also met by the funds.

Most other costs incurred by ARIA are met through a user-charging arrangement with employer agencies whereby ARIA receives a share of an administration fee. ARIA is a prescribed agency under the *Financial Management and Accountability Act 1997* (FMA Act), in respect of public monies and accordingly the management of the administration monies and any other public monies received by ARIA is carried out in accordance with the requirements of that Act.

For 2008/09, the government provided additional funding for ARIA's role in the implementation of changes to the schemes to reflect the government policy: 'removal of differential treatment of same-sex couples and their children – law reform'.

### Financial performance

Revenue and expenses were within budget for the year and ARIA recorded a surplus of \$1m. ARIA's business expenses were \$15.7m of which \$4.0m was met by the administration fee on employer agencies and extra government funding to meet the cost of changes to the schemes. The balance of \$11.7m of expenses was met proportionately from the investment assets of the CSS, PSS and PSSap.

## Trustees

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### **Purchasing**

In relation to resources subject to the FMA Act, ARIA complied during the year with the purchasing principles and policies set out in the Commonwealth Procurement Guidelines, in particular the principle of value for money, effected through competitive and non-discriminatory procurement, application of resources efficiently, effectively and ethically, and accountable and transparent decision making.

While investment-related activities are exempt from the mandatory procurement provisions of the Commonwealth Procurement Guidelines, ARIA applies value for money principles in all aspects of its operations including investment management activities.

### **Consultants**

During 2008/09, ARIA entered into two new consultancy contracts (in respect of public moneys) involving total actual expenditure of \$0.052m. In addition, 11 ongoing consultancy contracts were active during the year, involving total actual expenditure of \$0.368m.

### **Asset management**

ARIA's assets, not including the investments and other assets of the funds, were recorded and managed in accordance with ARIA's Chief Executive Instructions.

### **Ecologically sustainable development and environmental performance**

ARIA is a signatory to the UN Principles for Responsible Investment. The Principles aim to act as a framework for global best practice in responsible investment and include commitments to address environmental, social and governance issues in the policies and practices of investors. ARIA is a member of the Investor Group on Climate Change Australia/New Zealand and an investor signatory to the Carbon Disclosure Project. These collaborative industry initiatives address the business and shareholder value implications of climate change.

ARIA is a foundation investor in Regnan, which provides governance research and engagement services to ARIA and its other institutional investors. Regnan focuses on an engagement process to address portfolio risk exposure including relating to environmental risk.

Within its own offices, ARIA promotes a culture that requires employees to minimise their impact on the environment. Initiatives include minimising energy use, recycling of paper, plastic and metal waste and, where practical, using recycled paper and other products.

In 2008/09, ARIA worked towards reducing the volume of print material distributed to its 475 000 members. Starting in 2009/10, ARIA will provide scheme annual reports online instead of delivering hard copies to members. ARIA will also continue to encourage its members to source information from its website to reduce their reliance on hard copy materials.

## Internal governance

ARIA was established under the *Superannuation Act 1990*. It is accountable to members of the schemes it manages under scheme legislation, the Superannuation Industry Supervision Act and Regulations (SIS) and corporations legislation and is independent of the government of the day and any other constituency. Its principal responsibility is to act in good faith, with prudence and in the members' best interests in respect of the administration and investment of the funds.

Trustees are required by SIS to meet a 'fit and proper' standard. This means that they must satisfy both propriety and competency requirements on appointment and thereafter.

In addition to these requirements on individual trustees, ARIA has a Code of Conduct in the exercise of its wide range of discretions.

In performing its functions and duties, ARIA:

- > will carry out its duties in good faith, prudently and in accord with the relevant legislation so that the best interests of members are served
- > will at all times act ethically and impartially.

ARIA's code of conduct is set out in full at [www.aria.gov.au/about\\_us/governance/governance.html](http://www.aria.gov.au/about_us/governance/governance.html).

In conjunction with the governance principles, ARIA's responsibility for the funds is supported by comprehensive risk management strategies, plans and compliance programs.

## Licences

ARIA has both an APRA licence and an Australian Financial Services (AFS) licence (administered by the Australian Securities and Investments Commission). Significant risk management and compliance resources are necessary to meet the ongoing requirements of these licences.

## Risk management

As an APRA licensee, ARIA has a comprehensive risk management program in place. This covers a range of business, operational and governance risks and outlines risk minimisation strategies and controls for all identified risks. All strategies and plans are kept under review by ARIA's Audit and Risk Management Committee. They are also reviewed annually in conjunction with ARIA's business plan, and updated or amended as required to meet emerging risk or new business requirements.

## Compliance

ARIA's compliance program meets AFS licence requirements and underpins ARIA's risk management program. Employees and service providers are required to provide positive certification that they have complied, or details of any non-compliance, with legislative requirements, contractual provisions, regulatory policy and service standards, in addition to licensing requirements. This is done regularly – either monthly or quarterly. The Audit and Risk Management Committee oversees compliance reporting, remediation where breaches have occurred and any necessary regulatory reporting. Consistent with ARIA's breach policy, breach reports are required within a timeframe that enables ARIA to make timely regulatory reports, if required.

## Trustees

### Fraud control

ARIA has a current fraud risk assessment and fraud control plan prepared in accordance with the Commonwealth Fraud Control Guidelines and effective fraud risk controls are in place. No instances of fraud have arisen during the reporting period.

#### Certification of fraud measures

I certify that I am satisfied that ARIA has prepared fraud risk assessments and a fraud control plan, and has in place appropriate fraud prevention, detection, investigation, reporting and data collection procedures and processes that meet its specific needs and comply with the Commonwealth Fraud Control Guidelines.



Lochiel Crafter  
Chief Executive Officer

### Internal audit

Each year the Audit and Risk Management Committee agrees on an audit plan. It takes into account previously identified risks, the results and recommendations of previous internal and external audits, legislative and regulatory change and any anticipated scheme or business changes. The annual internal audit plan is additional to audits that can be required at any time by the Audit and Risk Management Committee to address changed business priorities or risk profile.

## Outcomes and outputs

Effective and efficient administration of Australian Government superannuation schemes

**Table 3: Outcomes and outputs**

Key performance indicator	2008/09 target	2008/09 results
Investment performance	ARIA has a long term nominal target of at least 7% after tax and fees	Against this core objective, ARIA's three-year investment performance was -0.8% and its five-year investment performance was 4.7%
Adequate compliance with <i>Superannuation Industry (Supervision) Act 1993</i> , <i>Superannuation Act 1976</i> , <i>Superannuation Act 1990</i> , <i>Superannuation Act 2005</i> and the <i>Corporations Act 2001</i>	ARIA will seek to comply with all relevant scheme and regulatory requirements	ARIA continued to meet its obligations under relevant legislation
Status of Registrable Superannuation Entity (RSE) and Australian Financial Services (AFS) Licence holder	Fulfil ongoing licence obligations as set out by APRA and ASIC	ARIA has an APRA licence and an AFS licence and complied with all conditions throughout the year
Members', other beneficiaries' and employers' service satisfaction level	Develop and implement industry standard service requirements with ComSuper	Industry standard service requirements with ComSuper implemented 1 July 2009