



# **Educated and Informed Fiduciaries: The Case of Australia**

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# About Australian Superannuation System



- Currently about \$A600 billion FUM (About \$US 450 billion)
- Privately-managed second pillar (built on flat, means-tested first pillar)
- Compulsory contributions to funds by employers since late 1980s (now at 9%)
- Shift towards DC from DB over past decade

# Structure of Industry



	No of Funds	Member Accounts (000's)	Assets (\$bn AUS)
<b>Corporate</b>	<b>1224</b>	<b>969</b>	<b>\$59 bn</b>
<b>Public Sector</b>	<b>53</b>	<b>3,084</b>	<b>\$129</b>
<b>Retail</b>	<b>234</b>	<b>13,895</b>	<b>\$215</b>
<b>Industry</b>	<b>99</b>	<b>8,194</b>	<b>\$75</b>
<b>Small Funds</b>	<b>296,209</b>	<b>563</b>	<b>\$143</b>

Source: APRA Superannuation

# Types of Funds



- “Corporate funds” - single employer funds, some still DB but increasingly DC or hybrid
- “Public sector funds” – most DBs now closed
- “Retail funds” – includes both group and employer products offered by financial institutions
- “Industry funds” – multi-employer funds often with trade union and employer association involvement
- “Small funds” – include “self managed funds” where members are usually their own trustees

# Role of Trustees



- Despite diversity between funds, practically all are premised on trustees as governing fiduciaries
- English trust law
- *Superannuation Industry (Supervision) Act 1993* (“SIS”)
- Trustees are owners of assets and ultimately accountable – but must make decisions in best interests of members and beneficiaries

# Role of Trustees



- Trustee system has proven resilient and robust with fund failures over the past ten years amounting to losses of about 0.01 percent of assets (\$60 million out of about \$600 billion)

# Other Trustee Issues



- Equal representation
- Disqualified persons test
- Financial Services Reform – training requirements
- APRA Licensing of Trustees – New

# Fitness and Propriety



- Part of APRA Licensing – applies to all “responsible officers” of fund
- Assessed by APRA initially then self-assessed on on-going basis
- Propriety – Assessed individually
- Fitness – Assessed collectively



# Clark's Models of Pension Governance



- Gordon Clark of Oxford University classifies trustees as either “Experts” or “Consumers of Expertise”
- Australian system has traditionally reflected the second approach, though increasingly trustees are expected to be “more professional consumers”

# ASFA Activities



ASFA assists industry improve its own practice and meet this challenge though a variety of activities including:

1. Providing industry with information and education
2. Promoting best practice to industry

# About ASFA



- Established in 1961
- Non-government, not for profit organisation
- ASFA members hold about 80% of the total assets in superannuation and cover about 80% of people with superannuation
- ASFA represents all sectors of the industry – who are represented on ASFA Board

# ASFA's Policy Role

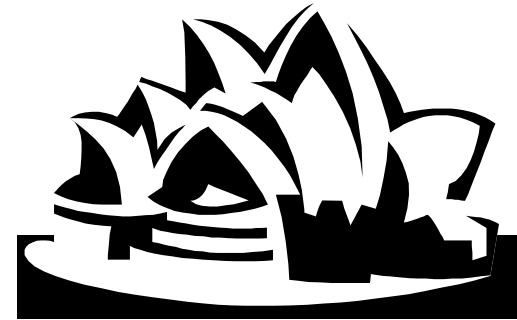


- Provide leadership in public debate
- Represent industry to Government
- Undertake research and develop policy
- Create public awareness

# ASFA Secretariat



- Located in Sydney
- About 38 staff
- Provide advice to Board and implement Board / Committee decisions



# Provide Industry Education



- ASFA Education and Training – meets statutory obligations but goes well beyond
- Professional Accreditation
- Training and National Roadshows on particular issues
- Have worked with training fiduciaries in nearby developing countries (PNG, Tonga)

# ASFA Diploma



- Diploma of Financial Services (Superannuation) (increasingly streamlined)
- Advanced Diploma of Financial Services (Superannuation)
- Post-graduate qualification

# ASFA Diploma Units



- ASFA 100 - Overview
- ASFA 200 – Trusteeship
- ASFA 102 – Administration
- ASFA 105 – Taxation
- ASFA 106 – Investment Mgmt
- ASFA 107 – Legal Framework
- ASFA 108 – Retirement Principles



# ASFA Diploma Units (cont.)



- ASFA 109 – Defined Benefit Funds
- ASFA 113 – Insurance
- ASFA 114 – Retirement Income System
- ASFA 121 – Financial Techniques

# Information Sources



- Monthly Magazine “Superfunds”
- “ASFA Action” – Updates of regulatory developments
- Use of ASFA website

# Events



- National Conference (9-11 November 2005 in Melbourne)
- Seminars
- Monthly Luncheons

# Best Practice Papers



- Go beyond summarising industry compliance
- Assist in implementation of better practice within individual funds and throughout industry

# Best Practice Papers – Sample of Topics Covered



- Fund Governance
- Outsourcing
- Investment Management Agreements
- Active Shareownership
- Valuation and Unit Pricing
- Disclosure to Members

# Lessons from Australia



- Strong but flexible regulatory regime
- Well resourced, pro-active and professional industry body

**For more information**



**[www.superannuation.asn.au](http://www.superannuation.asn.au)**