

### Government's proposed changes to super fund boards pose risks without any demonstrable benefits for members

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The Government's proposed changes to the board composition of super funds were risky and not supported by evidence, **The Australian Institute of Superannuation Trustees (AIST) said today.**

Releasing AIST's response to the Government's draft legislation, **AIST CEO Tom Garcia** said the Government's one-size fits all approach to super fund governance carried risks to not-for-profit super funds without any demonstrable benefits to members.

"The proposed changes will be a significant disruption and cost to the boards and members of not-for-profit super funds without the Government having produced any evidence that they will lead to better outcomes for members," Mr Garcia said.

AIST supports the trustee representative model and a flexible, principles-based approach to the appointment of independent directors. It's submission contends that many of the proposed changes are unworkable as they fail to recognize that not-for-profit funds – which have consistently provided the best returns – operate under very different ownership structures to the for-profit (bank and insurance-owned) super funds.

"This is a sledgehammer approach to the boards of top performing funds that could lead to unintended consequences, as well as perverse outcomes," Mr Garcia said.

Mr Garcia said AIST was particularly concerned with the Government's proposed definition of independence and the move to give APRA complimentary powers to determine whether a director had the capacity for independent judgement.

"These changes place the regulator in the role of being a law maker and a judge as well as jury. This is a serious breach of the rule of the law and gives APRA far greater powers than it currently has in other APRA-regulated industries, such as banking and insurance."

Mr Garcia said the Government's proposed definition of independence was equally problematic as it precluded many highly skilled and experienced people from joining a super fund board.

AIST has also raised concerns about removing equal representation from the SIS legislation.

"This will effectively remove a *guaranteed* member (and employer) voice from not-for-profit boards, despite member representation being internationally recognised as best practice for pension fund boards," Mr Garcia said.

Mr Garcia said AIST has estimated the costs of the proposed changes would be at least \$20 million in the first year – costs that would ultimately be borne by members.

"How can these costs be justified when there is no evidence to support the need for any change? The risks associated with high board turnover over a short timeframe are not insignificant. Superannuation funds are large financial services entities and such substantial disruption to the board composition should be approached with great caution."

**Further media enquiries: AIST Media Manager Janet de Silva: 0448 000 499**

***AIST is the peak industry body for the \$650 billion not-for-profit super sector which includes industry, corporate and public sector funds.***

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