

## Proposed changes to boards of super funds will dilute consumer voice

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**The Australian Institute of Superannuation Trustees (AIST)** is urging all parliamentarians to reject proposed legislation to change the composition of not-for-profit superannuation boards.

Following the introduction of the Superannuation Legislation Amendment (Governance) Bill 2015, into Parliament today, **AIST's Executive Manager, Governance, Eva Scheerlinck**, said the Bill was unwarranted, not supported by evidence and would dilute the voice of member representation on the boards of the top-performing super funds.

"This is a Bill that rips the heart of the consumer voice out of superannuation fund boards," Ms Scheerlinck said. "There is no evidence that these changes will improve members' returns. Instead they will disrupt the consumer-focused model that has delivered superior performance for not-for-profit funds, year after year."

As part of the proposed changes, super fund boards will be required to have a minimum of one-third independent directors on their boards, including an independent Chair.

Ms Scheerlinck said the move to mandate independence failed to recognise that representative directors of not-for-profit funds were already materially independent from financial intermediaries.

"Not-for-profit super funds are uniquely different from corporate entities. Superannuation monies are held in trust for members, over the long term. This is a trust-based structure so a comparison with corporate governance is a flawed argument."

The Bill will also remove Equal Representation from the SIS legislation.

"This is an overreach by Government that won't deliver better outcomes for members," Ms Scheerlinck said.

Ms Scheerlinck said AIST was also concerned that the appointment of independent directors - as characterised by the Bill - could lead to more conflicts of interest.

"Under the proposed definition of independence, most directors would be drawn from organisations and companies within the finance sector that many funds have strong relationships with, or indeed invest in. Such directors are more likely to have an interest that is not aligned with members, potentially leading to more conflicts of interests on super fund boards," she said.

Ms Scheerlinck said international best practice guidelines – such as those provided by the OECD – recognised the importance of significant member representation on boards of pension funds, adding that the track record of representative trustee directors was far superior to that of independent directors in the corporate world.

"If you look at international best practice in pension fund governance, equal representation boards feature heavily, as do boards with mandatory member representatives."

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