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Fraser Review: Member-first ethos central to success of not-for-profit super funds

Former Reserve Bank Governor and Treasury Secretary, Bernie Fraser, has delivered his report into not-for-profit super fund governance, finding their processes and member-first ethos are central to their outperformance and avoidance of scandals affecting other parts of the finance sector.

Mr Fraser's review, commissioned in late 2015, has also found the Government has not adequately made the case for a mandatory quota of independent directors, and members' interests will be better served through a focus on directors' values, skills and expertise.

To this end Mr Fraser has recommended Australia's not-for-profit superannuation funds prioritise values, skills and expertise in a mandatory principles-based governance code to commence on 1 July 2017.

Looking to the future, Mr Fraser notes rapidly changing investment markets and political risks will challenge funds, and clear processes designed to deliver high quality boards with the right values and expertise will best serve members' interests.

He proposes the sector would benefit from a mandatory code of conduct that would take funds beyond current regulatory requirements to reflect best practice governance for representative trustee boards.

Industry Super Australia CEO David Whiteley said: "We extend our thanks to Bernie Fraser for his time and expertise. With millions of Australians entrusting their retirement savings to not-for-profit super funds, it is vital we strengthen, not weaken, fund governance."

AIST CEO Tom Garcia said: "The new AIST Governance Code will ensure members of not-for-profit super funds are at the leading edge of governance best practice globally. Once the code is implemented it should rule a line under this governance debate".

Extensive consultations with regulators, international experts, consumer groups and the superannuation industry were conducted as part of the review. The Industry Super Australia board will consider the report and work cooperatively with AIST in the final development of their code.

Key Fraser Review recommendations on not-for-profit super fund governance include:

- Develop the AIST *Fund Governance Framework for Not-For-Profit Superannuation Funds* into mandatory code effective from July 1 2017.
- Formalise director appointment standards to ensure new appointments have the appropriate culture and values and skills for strong oversight.
- Improve professional, educational, cultural and gender board diversity.
- Continue to operate under a majority representative trustee structure and clarify that all directors are independent of management; and the chair is the best candidate as determined by the board.
- Improve accountability to members on governance issues through regular two way communication via annual general meetings or fund briefings.

Industry Super Australia CEO David Whiteley and AIST CEO Tom Garcia are available for interview

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Report is available [here](#)

Industry Super Australia provides policy, research and advocacy on behalf of 15 not-for-profit Industry SuperFunds who are the custodians of the retirement savings of five million Australians.

AIST is the peak industry body for the \$700 billion profit-to-member super sector which includes industry, corporate and public sector funds.