

PJR:da

12 February 2014

Manager
Superannuation Unit
Financial System Division
The Treasury
Langton Crescent
PARKES ACT 2600

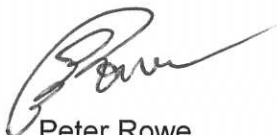
(By email to superannuationconsultation@treasury.gov.au)

Dear Sir/Madam

Please find enclosed a submission from Vision Super regarding the governance arrangements for superannuation funds.

Should you have any queries concerning this proposal, please feel free to contact me on 03 9911 3188.

Yours faithfully



Peter Rowe
Chief Operating Officer

Encl.

Superannuation Fund Governance

About the Fund

Vision Super is an industry fund that was originally established as a public sector fund in 1947 to provide superannuation cover for Local Government, the Water industry and other local governing bodies in Victoria. When it was established, it only provided defined benefits (pension and lump sum) to its members. Even though the defined benefit plan was closed in 1993, a large part of the Fund's liabilities still relate to these benefits.

The Fund currently has approximately 100,000 members and \$7 billion in funds under management.

Current governance arrangements for Vision Super are as follows:

Employer Directors:	Two nominated by the Municipal Association of Victoria One by the Victorian Water Industry Association, and One by the Victorian Chamber of Commerce and Industry
Member Directors:	Four nominated by the Australian Services Union

During 2013, as part of the review of our governance arrangements, the Board agreed to appoint Independent Directors, and over the next 18 months, move to a Board of nine Directors based on the 1/3rd 1/3rd 1/3rd model contemplated by the Cooper Review.

Other Considerations

Future Arrangements

The debate around Independent Directors has largely focused on the "industry fund" sector where the equal representation model has been in place for many years. However, in the main, the large funds that existed (other than retail) prior to the establishment of industry funds were corporate, public sector and in these cases, the majority of funds were employer controlled funds. In some cases in the public sector, employee nominees did have a limited but minority role on Trustee Boards.

The equal representation model represented a significant change from this model. It recognised that the funds were created to act in the sole interests of members (who bore the investment risk), but the funding by way of Award or Superannuation Guarantee contributions came from the Employer. It is a model that, in overall terms, has served these funds and the members very well.

With this background and for the following reasons, Vision Super strongly supports a majority of Employer and Member representation rather than Independent Directors having a majority position.

Defined Benefit Liabilities

Unlike most industry funds that have been established in the last 25 years, Vision Super still operates a significant defined benefit sub plan that will continue for approximately another 25 to 30 years. Most industry funds operate as defined contributions funds where the only requirement for the employer sponsor is to meet their Superannuation Guarantee obligations. Where there are defined benefit obligations it is essential to maintain strong employer engagement at the Board level.

This involvement is required to ensure that employers are able to have input into how these funds are managed and investments and investment risk is controlled. Employers are the underwriters of defined benefit plans and while they have been willing to work within an equal representation environment, a reduction in their level of participation even further would not be appropriate.

Many arguments will be put forward regarding member appointed or elected representatives and the need for Independent Directors, but the other party in this (employers and especially those underwriting defined benefit liabilities) has been ignored.

Given the nature of Vision Super's liabilities (which include a significant proportion of defined benefits), we need to ensure that employer representation is not diminished.

For these specific reasons, Vision Super does not support a move to a majority of Independent Directors but does support a move to increase the number of Independent Directors and sees the 1/3rd 1/3rd 1/3rd model as being a suitable and viable outcome.