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## Trustees

### ARIA trustees

ARIA was established under the *Superannuation Act 1990* and is licensed under the *Corporations Act 2001* and the *Superannuation Industry (Supervision) Act 1993* (SIS Act). ARIA manages the CSS, PSS and PSSap in accordance with the provisions of the CSS, PSS and PSSap Acts, and is responsible for the management and investment of the three Funds. See functional chart at Appendix C.

### Trustee members

The seven trustees of ARIA are appointed by the Minister for Finance and Deregulation. Three are nominated by the government as employer, three by the Australian Council of Trade Unions (ACTU) and the Chairman is independent.

The Chairman and the ACTU nominees are appointed for periods not exceeding three years (but are eligible for reappointment) and the other members hold office for such period as the Minister determines.

Members holding office between 1 July 2007 and 30 June 2008 are:



**Chairman**

**Ms Susan Doyle—First appointed 28 July 2003  
Current term expires 27 July 2009**

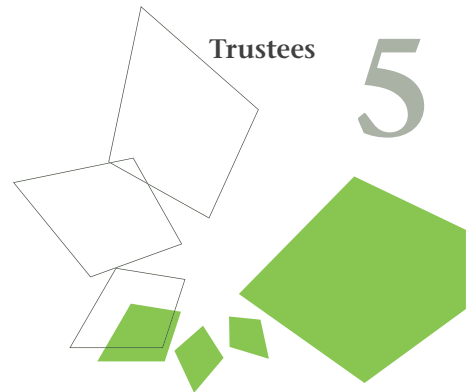
Ms Susan Doyle was appointed Chairman of ARIA on 28 July 2003. Ms Doyle has many years experience in the area of superannuation and investments. Ms Doyle has worked for Commonwealth Funds Management, Suncorp Insurance and Finance and IAG Ltd. Ms Doyle currently holds several non-executive board positions including Guardian of the Future Fund.



**Mr David Connolly AM—First appointed 19 September 2002  
Current term expires 18 September 2008**

Mr Connolly is also a member of the ARIA Audit and Risk Management Committee. Mr Connolly is Chairman of Rice Warner Actuaries and serves as a part-time member of the Administrative Appeals Tribunal, the Refugee Review Tribunal and the Migration Review Tribunal. He was a career diplomat for a number of years and held the post of Australia's High Commissioner to South Africa. Elected to the Australian Parliament (1974–1996), he served as Chair of the Public Accounts Committee and held various shadow portfolios, including superannuation and retirement incomes.

Mr Connolly was awarded an AM for service to the Parliament of Australia, to the development of superannuation policy reform, to international relations, and to the community.



**Mr Steven Crane—First appointed 1 October 2007  
Current term expires 30 September 2010**

Mr Crane is currently a Member of the ABN AMRO Advisory Council, a Director of Transfield Services and the Sunnyfield Association and Chairman Global Valve Technology Limited. He started his career in the financial markets with AMP and has held various positions including Chief Executive of BZW Australia and ABN AMRO. He has also previously been a Non-Executive Director of listed companies Investa Property Group (Chairman 2006-2007), Foodland Associates (2003-2005) and Adelaide Bank (2006-2007).



**Mr Peter Feltham—First appointed 1 July 2005  
Current term expires 30 June 2009**

Mr Feltham is currently an Industrial Officer with the CPSU, the Community and Public Sector Union. He has worked for the CPSU and its predecessor organisations for more than 20 years in a range of capacities at the state and national level as both an employee and official. Prior to this Mr Feltham worked for 10 years in the Federal Public Service.



**Ms Margaret Gillespie—First appointed 1 October 2007  
Current term expires 30 September 2010**

Ms Gillespie is a former Assistant National Secretary of the Community and Public Sector Union (2003 -2008). She served two terms as a Vice President of the ACTU (2003 -2007). Ms Gillespie is also a member of the ACT Ministerial Advisory Council on Women.



**Ms Winsome Hall—First appointed 1 July 1996  
Current term expires 30 September 2008**

Ms Hall is Chair of the ARIA Audit and Risk Management Committee. Ms Hall is a non-executive director of various entities including State Super Financial Services, appointed by ARIA, Zurich Australian Superannuation Limited and various commercialisation funds as a nominee of Westscheme. She is an ongoing consultant with the Association of Superannuation Funds of Australia. Ms Hall was previously a Senior Advisor in the Department of the Prime Minister and Cabinet and was Secretary of the ACT Branch of the CPSU from 1989 to 1993.

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## Trustees



**Mr Dennis Trewin AO—First appointed 20 December 2007  
Current term expires 30 September 2009**

Mr Trewin is currently a statistical consultant having undertaken contracts for the United Nations, World Bank, OECD and the governments of Brazil, Korea and New Zealand. He is also Chairman of the Advisory Board of the ARC Centre of Excellence for Coral Reef Studies and Global Executive Board of the World Bank's International Comparison Program. Past roles have included head of the Australian Bureau of Statistics, Deputy Australian Statistician and Deputy Government Statistician in New Zealand.

Mr Trewin has been awarded an AO for his contribution to Australian and international statistics.



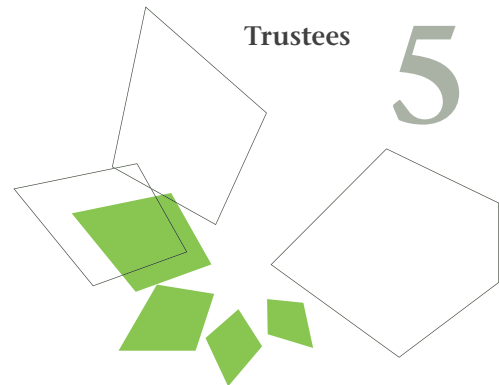
**Mr Des Moore—First appointed 9 September 2003  
Term expired 30 September 2007**

Mr Moore was also a member of the Audit and Risk Management Committee. Mr Moore has had considerable experience in analysing economic issues. Mr Moore worked for 28 years in the Commonwealth Treasury, including five years as one of three Deputy Secretaries. During his time in the Treasury, Mr Moore headed most of the main policy areas before he left in 1987. He is currently Director of the Institute for Private Enterprise in Melbourne, and before that was Senior Fellow, Economic Policy at the Institute of Public Affairs. Mr Moore is also a Council Member of the Australian Strategic Policy Institute.



**Ms Joy Palmer—First appointed 1 July 1996  
Term expired 30 September 2007**

Ms Palmer was also a member of the Audit and Risk Management Committee. Ms Palmer's extensive experience in the superannuation industry includes current appointments as Chair of Statewide Superannuation Trust and Chair of Statewide Financial Management Services. She is a member of the State Executive of Association of Superannuation Funds Australia, and holds the professional accreditation of Fellow of ASFA (FASFA). Ms Palmer has previously held directorships with AGEST Superannuation, CPSUSF Super Fund and the ASFA Board. She is currently also a director of Austraining International.



**Mr Graham Rogers—First appointed 20 December 2004  
Term expired 19 December 2007**

Mr Rogers is an independent company director and chairman with more than 25 years experience as a business leader in the financial services industry. He is an actuary by profession. Past roles include Chief Executive of Equitable Life and founder and first Chief Executive of Jacques Martin Group. Mr Rogers has restructured the QBE group, rebuilt Colonial Investment Management Ltd, following the 1987 crash, and initiated the Colonial Group’s thrust into Asia. He also served two terms as Deputy Chairman of PHIAC (the Australian Health Insurance Regulator). He is currently Deputy Chair of Australian Wealth Management, Chair of Grange Asset Management Ltd and Chair of Regional Imaging Ltd.

### Trustee and Trustee committee meetings

ARIA has constituted an Audit and Risk Management Committee and a Remuneration Committee and may from time to time constitute other Trustee committees.

The Audit and Risk Management Committee comprises:

Ms Winsome Hall	Chairman
Mr David Connolly	Member
Mr Peter Feltham	Member
Mr Dennis Trewin	Member

The Remuneration Committee comprises:

Ms Susan Doyle	Chairman
Mr Peter Feltham	Member
Mr David Connolly	Member

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## Trustees

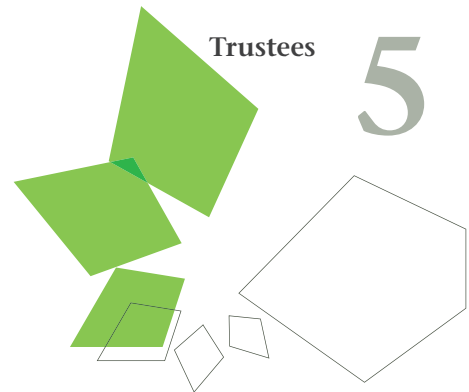
**Table 1: Trustee and Trustee committee meeting attendance 2007/08**

	Trustee meetings		Remuneration Committee meetings		Audit and Risk Management Committee meetings	
	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
Susan Doyle	8	8	5	5	n/a	n/a
David Connolly	8	8	2	2	5	5
Steven Crane	4	6	n/a	n/a	n/a	n/a
Peter Feltham	8	8	5	5	3	3
Margaret Gillespie	6	6	n/a	n/a	n/a	n/a
Winsome Hall	8	8	n/a	n/a	5	5
Dennis Trewin	3	4	n/a	n/a	1	2
Des Moore	2	2	n/a	n/a	2	2
Joy Palmer	2	2	n/a	n/a	2	2
Graham Rogers	4	4	3	3	n/a	n/a

### ARIA employees

ARIA employees are responsible for providing advice, for implementing Trustee decisions and for the ongoing management of ARIA's functions and responsibilities. Specifically, ARIA employees are responsible for:

- ▶ advising the Trustees on investment strategy
- ▶ implementing corporate strategies and plans
- ▶ managing the relationships between the Trustees and service providers
- ▶ managing the Trustees' financial affairs in relation to the administration of the CSS, PSS and PSSap
- ▶ ensuring the Trustees' responsibilities to maintain appropriate records are met
- ▶ coordinating advice from external advisers and overseeing the recommendations which go to the Trustees
- ▶ ensuring compliance with all relevant legislation and law
- ▶ communicating with members and, in particular, preparing and producing Annual Member Statement Packs and parliamentary reports
- ▶ providing comprehensive administrative and executive support services to the Trustees.



## Trustee resources

### Human resources

During 2007/08, the number of ARIA employees increased from 37 to 47 overall reflecting additional demands in investment, communication and administration functions.

### Employee profile

**Table 2: Employee numbers at 30 June 2008**

Employment category	Male	Female	Total
Full-time employees	21	20	41
Part-time employees	2	4	6

### Performance pay

During 2007/08, ARIA paid a total of \$663 892 in performance bonuses to 31 employees. The average performance bonus paid was therefore \$21 416.

### Non-salary benefits

ARIA offers its employees a variety of salary packaging benefits. These are individually negotiated and benefits available for packaging include leased motor vehicles, professional membership fees and additional superannuation.

Benefits that employees may include in a salary package are those that attract either no Fringe Benefits Tax (FBT) or a concessional rate of FBT.

### Professional development

Ongoing employee training and development is an important component of ARIA's human resource management. In addition, it assists ARIA meet the 'adequacy of resources' requirement of its APRA licence (see page 10).

During 2007/08, Trustee employees participated in a range of continuing professional development activities, including specialised courses in investment, finance and business operations.

### Occupational health and safety

Under the *Occupational Health and Safety (Commonwealth Employment) Act 1991* and the *Safety, Rehabilitation and Compensation Act 1988*, ARIA has a general duty of care that must be met by taking all reasonably practicable steps to protect the health and safety of its employees and third parties at work. ARIA employees are covered by workers' compensation managed by Comcare.

During the year there were:

- ▶ No dangerous occurrences under section 68 of the *Occupational Health and Safety (Commonwealth Employment) Act 1991*
- ▶ no workplace inspections carried out by Comcare
- ▶ no remedial provisional improvement notices issued.

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## Trustees

### ARIA's financial management

#### Financial resources

ARIA is responsible for the management of the CSS, PSS and PSSap and the investment of their Funds. Investment costs are met from the Funds. Fees paid to the Chairman and a proportion of those paid to the trustees are also a charge against the Funds.

Most other costs incurred by ARIA are met through a user-charging arrangement with employer agencies whereby a share of an administration fee is received by ARIA.

ARIA is a prescribed agency under the *Financial Management and Accountability Act 1997* (FMA Act), in respect of public monies and accordingly the management of those monies is carried out in accordance with the requirements of that Act.

There has been no change to these arrangements in recent years. In addition, for 2007/08, funding was provided by government for the implementation of changes to the underlying rules of the CSS and the PSS, in particular changes relating to voluntary contributions and for the PSS, member choice.

#### Financial performance

Revenue and expenses were within budget for the year. After budgeting for a break even result, ARIA recorded a small surplus. ARIA's business expenses were \$14.4 million of which \$4.6 million was met by the administration fee on employer agencies and additional government funding to meet

the cost of changes to the schemes. The balance of \$9.8 million of expenses was met proportionately from the investment assets of the CSS, PSS and PSSap.

#### Purchasing

In relation to resources subject to the FMA Act ARIA complied during the year with the purchasing principles and policies set out in the Commonwealth Procurement Guidelines, in particular the principle of value for money, effected through competitive and non-discriminatory procurement, application of resources efficiently, effectively and ethically, and accountable and transparent decision making.

While investment related activities are exempt from the mandatory procurement provisions of the Commonwealth Procurement Guidelines, ARIA applies value for money principles in all aspects of its operations including investment management activities.

#### Consultants

During 2007/08, ARIA entered into 16 new consultancy contracts (in respect of public moneys) involving total actual expenditure of \$0.63 million. In addition, five ongoing consultancy contracts were active during the year, involving total actual expenditure of \$0.045 million.

#### Asset management

ARIA's assets, not including the investments and other assets of the Funds, were recorded and managed in accordance with ARIA's Chief Executive Instructions.

## Ecologically sustainable development and environmental performance

ARIA is a signatory to the UN principles of responsible investment. The principles encompass environmental considerations. In addition, ARIA is a member of the Investor Group on Climate Change and the Carbon Disclosure Project. These collaborative industry initiatives address the business and shareholder value implications of climate change.

ARIA is a foundation investor in Regnan, which provides governance advisory services to ARIA and its other institutional investors. Within an investment risk management framework, Regnan focuses on an engagement process to address portfolio risk exposure including relating to environmental risk.

ARIA is also attempting to reduce the volume of print material provided to its 475 000 members. ARIA encourages members to source information from its website to reduce their reliance on hard copy materials. A number of members have already elected to receive their scheme information electronically rather than on paper. In 2009, ARIA will assess the provision of online annual member statements as the preferred method of delivery.

Within its own offices, ARIA promotes a culture that requires employees to minimise their impact on the environment. Initiatives include minimising energy use, recycling of paper, plastic and metal waste and, where practical, using recycled paper and other products.

## Internal governance

ARIA was established under the *Superannuation Act 1990*. It is accountable to members of the schemes it manages under the Superannuation Industry Supervision Act and Regulations (SIS) and corporations legislation and is independent of the government of the day and any other constituency. Its principal responsibility is to act in good faith, with prudence and in the members' best interests in respect of the administration and investment of the Funds.

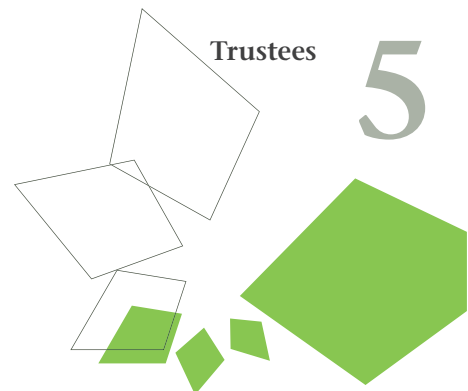
Trustees are required by SIS to meet a 'fit and proper' requirement. This means that they must satisfy both propriety and competency requirements on appointment and thereafter.

In addition to these requirements on individual trustees, ARIA has developed a Code of Conduct to assist in carrying out its duties, including exercising the wide range of discretions it is required to exercise.

In performing its functions and duties, ARIA:

- ▶ will carry out its duties in good faith, prudently and in accord with the relevant legislation so that the best interests of the members are served
- ▶ will at all times act ethically and impartially.

ARIA's Code of Conduct is set out in full at [http://www.aria.gov.au/about\\_us/governance/governance.html](http://www.aria.gov.au/about_us/governance/governance.html)



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## Trustees

In conjunction with the governance principles, ARIA's responsibility for the Funds is supported by comprehensive risk management strategies, plans and compliance programs.

### Licences

ARIA has both an APRA licence and an AFS (Australian Financial Services) licence (administered by the Australian Securities and Investments Commission).

Significant risk management and compliance resources are necessary to meet the ongoing requirements of these licences.

### Risk management

As an APRA licensee, ARIA has a comprehensive risk management program in place. This covers a range of business, operational and governance risks and outlines risk minimisation strategies and controls for all identified risks. All strategies and plans are kept under constant review by ARIA's Audit and Risk Management Committee. They are reviewed annually in conjunction with ARIA's business plan, and updated or amended as required to meet emerging risk or new business requirements.

### Compliance

ARIA's compliance program meets AFS licence requirements and underpins ARIA's risk management program. Staff and service providers are required to provide positive certification that they have complied, or details of any non-compliance, with legislative requirements, contractual

provisions, regulatory policy and service standards, in addition to licensing requirements. This is done regularly – either monthly or quarterly. The Audit and Risk Management Committee oversees compliance reporting, remediation where breaches have occurred and any necessary regulatory reporting. Consistent with ARIA's breach policy, breach reports are required within a timeframe that enables ARIA to make timely regulatory reports, if required.

### Fraud control

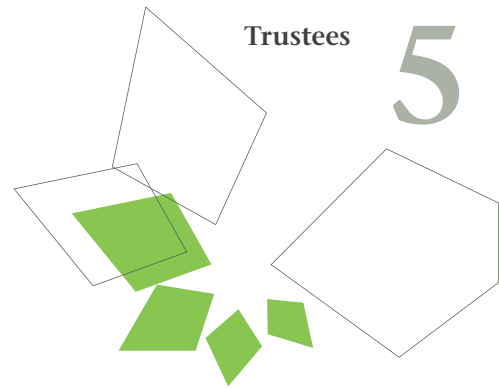
ARIA has a current fraud risk assessment and fraud control plan prepared in accordance with the Commonwealth Fraud Control Guidelines and effective fraud risk controls are in place. No instances of fraud have arisen during the reporting period.

#### Certification of Fraud Measures

I certify that I am satisfied that ARIA has prepared fraud risk assessments and a fraud control plan, and has in place appropriate fraud prevention, detection, investigation, reporting and data collection procedures and processes that meet its specific needs and that comply with the Commonwealth Fraud Control Guidelines.



Lochiel Crafter  
Chief Executive Officer



## Internal audit

Each year the Audit and Risk Management Committee agrees on an audit plan. It takes into account previously identified risks, the results and recommendations of previous internal and external audits, legislative and regulatory change and any anticipated scheme or business changes. The annual internal audit plan is additional to audits that can be required at any time by the Audit and Risk Management Committee to address changed business priorities or risk profile.

## Outcomes and outputs

Effective and efficient administration of Australian Government superannuation schemes

**Table 3: Outcomes and outputs**

Key performance indicator	2007/08 target	2007/08 results
Investment performance	ARIA has a long term nominal target of at least 7% after tax and fees	Against this core objective, ARIA's three-year investment performance was 9.3% and its five-year investment performance was 11.2%
Adequate Compliance with <i>Superannuation Industry (Supervision) Act 1993, Superannuation Act 1976, Superannuation Act 1990, Superannuation Act 2005</i> and the <i>Corporations Act 2001</i>	ARIA will seek to comply with all relevant scheme and regulatory requirements	ARIA continued to meet its obligations under relevant legislation
Status of Registrable Superannuation Entity (RSE) and Australian Financial Services (AFS) Licence holder	Fulfil ongoing licence obligations as set out by APRA and ASIC	ARIA has a APRA licence and an AFS licence and complied with all conditions throughout the year
Members, other beneficiaries and employers service satisfaction level	Develop and implement industry standard service requirements with ComSuper	This project will continue into 2008/09, the focus during 2007/08 having been on other core projects such as Fund allocation and scheme administration system requirements