



SENATOR THE HON NICK MINCHIN

Minister for Finance and Administration
Deputy Leader of the Government in the Senate

16 FEB 2005

Ms Susan Doyle
Chairman
PSS Board
GPO Box 1907
CANBERRA CITY ACT 2601

Dear Susan,

I am pleased to issue this Statement of Expectations (SOE) to the PSS Board (the Board) in accordance with the Australian Government's response to the report on the *Review of the Corporate Governance of Statutory Authorities and Office Holders* (Uhrig Report) of 12 August 2004. Attachment A to this SOE outlines my key expectations of the Board.

In issuing this SOE, I appreciate that the Board is not subject to Ministerial direction in the performance of its duties as Trustee, beyond the provision of information. However, I trust that this SOE will be useful in conveying to the Board, the Government's expectations of it. As envisaged by the Uhrig Report, the SOE will be reassessed annually to provide for a regular review of the Government's expectations.

As Minister for Finance and Administration, I have portfolio responsibility for the superannuation arrangements for Commonwealth civilian employees, including the arrangements provided by the Public Sector Superannuation Scheme (PSS) and the Public Sector Superannuation Accumulation Plan (PSSAP). Accordingly, I have a high level of interest in the Board's operations and the resulting impacts on the Commonwealth as employer-sponsor, especially in terms of the cost of benefits provided by the PSS and the PSSAP, and on scheme members' retirement incomes.

Given that I am responsible for appointing members to the Board, I also have a particular interest in the performance of the Board and its individual members.

The duties of the Board include the administration of the PSS and the PSSAP, and the management and investment of the PSS Fund and PSSAP Fund, in accordance with the *Superannuation Act 1990* and *Superannuation Act 2005* and the respective Trust Deeds and Rules under those Acts.

In performing its duties, I acknowledge that the Board has certain statutory responsibilities, and also fiduciary obligations to members of the PSS and the PSSAP. I understand that each member of the Board also has a number of individual obligations in their role as a trustee, with additional responsibilities being placed on the Chairperson by the financial management and accountability legislation.

I consider that an important outcome for the Board in performing its overall responsibilities is the ongoing effective and efficient provision of superannuation administration services for the PSS and the PSSAP. Whilst I recognise the unique environment in which the PSS and the PSSAP operate, I would expect the Board to continue to advance this outcome.

To this end, I expect that the Board will maintain an appropriate relationship with the mandated scheme administrator via a suitable agreement (such as a Service Level Agreement as is currently in place, or a contract) with the Commissioner for Superannuation, and that it will monitor the performance of ComSuper in accordance with that agreement, and provide me with an annual assessment of the performance of the administrator.

In having regard to the interests of the Australian Government in the operation of the PSS and the PSSAP, I expect that the Board will keep me fully informed of all relevant issues, including alerting me to any issues that could impact on the reputation of the PSS or the PSSAP. In terms of a broader flow of information, however, I understand that the Uhrig Report noted the importance of portfolio departments receiving appropriate information at the same time as responsible Ministers to allow those departments to provide timely advice on issues relating to governance.

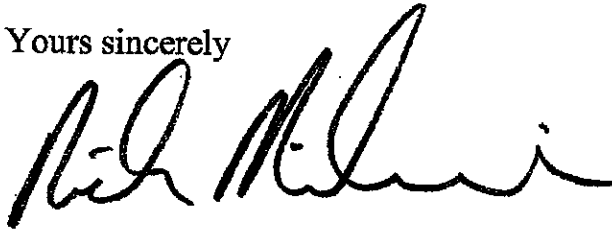
In line with the Uhrig Report's recommendation that such arrangements be put in place, I propose that a Memorandum of Understanding (MOU) be entered into between the Board and my department, setting out the

mechanism for achieving effective communication over a longer term. I have asked my department to work with you and the Board's Executive on the development of an appropriate MOU.

In response to this SOE, I look forward to receiving a Statement of Intent (SOI) from the Board outlining its proposals and strategies for the coming year to achieve key performance indicators that could be proposed from the expectations set out in this SOE.

I look forward to continuing to work with the Board and meeting with you to discuss relevant issues. In going forward, I trust that the enunciation of expectations through the development and issue of SOEs and SOIs will provide additional benefits.

Yours sincerely

A handwritten signature in black ink, appearing to read "Nick Minchin". The signature is fluid and cursive, with a large initial "N" and "M".

Nick Minchin

**Attachment A to the Statement of Expectations by the
Honourable Senator Nick Minchin, the Minister for Finance and
Administration, for the PSS Board (the Board)**

1. I expect that the Board will:
 - (a) fulfil its responsibilities to:
 - (i) administer the Public Sector Superannuation (PSS) Scheme and the Public Sector Superannuation Accumulation Plan (PSSAP); and
 - (ii) manage and invest the PSS Fund and PSSAP Fund,
in accordance with the *Superannuation Act 1990* and the *Superannuation Act 2005*, and the respective Trust Deeds and Rules under those Acts;
 - (b) meet all of its statutory obligations, including in respect of the broad superannuation prudential and regulatory framework;
 - (c) maintain a high level of corporate governance in relation to Board operations;
 - (d) consider the interests of relevant stakeholders, including:
 - (i) meeting its fiduciary responsibilities to all members of the PSS and the PSSAP; and
 - (ii) having regard, in its decision making processes, to:
 - A. the costs to the Commonwealth as employer-sponsor; and
 - B. relevant Government policy;
 - (e) maintain an appropriate relationship with the Commissioner for Superannuation to support the effective and efficient provision of superannuation administration services for the PSS and the PSSAP; and
 - (f) continue to keep me fully informed of relevant issues in relation to the operation of the PSS and the PSSAP, and alert me, in a timely manner, to any event that will or may impact on the reputation of the PSS or the PSSAP.
2. I expect that each member of the Board will:
 - (a) discharge his or her duties with a high degree of diligence, care and skill;
 - (b) act ethically and impartially, and at all times act in a manner that promotes the highest level of corporate governance in Board operations; and
 - (c) participate in at least an annual skills evaluation of the Board, and keep me fully informed of relevant issues in relation to the ongoing performance of Board members.
3. I expect that the Chairperson of the Board will manage public monies in his or her control in accordance with the financial management and accountability legislation, including the *Financial Management and Accountability Act 1997* and any regulations, orders and guidelines made under that Act.