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The PSS Board administers the Public Sector Superannuation (PSS) Scheme in accordance with the provisions of the *Superannuation Act 1990* (the PSS Act), the Trust Deed and the Scheme Rules and is responsible for the management and investment of the PSS Fund. The PSS Board is also the Trustee of the Public Sector Superannuation Accumulation Plan (PSSap) as established under the *Superannuation Act 2005* (PSSap Act) and associated PSSap Trust Deed and Rules.

From 1 July 2006, the PSS and CSS Boards merged to create Australian Reward Investment Alliance (ARIA). ARIA was established under the *Superannuation Legislation Amendment (Trustee Board and Other Measures) Bill 2006*.

Board membership 2005/06

The PSS Board consisted of five members; two with experience in the formulation of government policy and public administration; two nominated by the ACTU and an independent chairman. All are appointed to the Board by the Minister for Finance and Administration under section 23 of the PSS Act.

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 at 30 June 2005, or who have been subsequently appointed, are:



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

On 28 July 2003, Ms Susan Doyle was appointed Chairman of the PSS Board. Ms Doyle has many years experience in the area of superannuation and investments. She worked for Commonwealth Funds Management for 20 years and was, more recently, Manager Equities and Fixed Interest, Suncorp Insurance and Finance, and Chief General Manager, NRMA Asset Management Pty Ltd. She is currently a Guardian of the Future Fund and a Director of SA Water Corporation, and Chairman of its Audit Committee.



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

Mr Connolly is also Chair of the Audit and Risk Management Committee. Mr Connolly is Chairman of Rice Warner Actuaries and serves as a part-time member of the Administrative 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 Peter Feltham—First appointed 1 July 2005
Current term expires 30 June 2009**

Mr Feltham is currently a Project Officer with the CPSU, the Community and Public Sector Union. He has worked for the CPSU and its predecessor organisations for over 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 Australian Public Service.



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

Ms Hall is also a member of the Audit and Risk Management Committee. Ms Hall is a Director of Colonial First State Private Capital Limited, a listed venture capital infrastructure investment company. She is also a director of Uniseed (UIIT Pty Ltd) as a nominee of the Westscheme superannuation fund. Uniseed was established by the University of Melbourne and the University of Queensland to fund emerging business from university research. In November 2004, Ms Hall was appointed as a consumer representative to the Finance Industry Complaints Scheme (FICS) panel. The FICS provides all users of financial services with a free complaints service as an alternative to litigation. Ms Hall has previously developed superannuation policy as 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.



**Mr Des Moore—First appointed 9 September 2003
Current term expires 30 September 2007**

Mr Moore is also a member 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 a Council Member of the Australian Strategic Policy Institute.

Board objectives

Table 1: Major business objectives for the 2005/06 financial year

Objective	Outcome
Maintain competitive long-term investment performance	Average real return for the past ten years of 6.6%
Integrate existing PSS and CSS Boards into a single entity	ARIA commenced on 1 July 2006
Successful accumulation scheme for new government employees	Membership and funds under management exceed targets

Board and Board Committee meetings

The Board has constituted an Audit and Risk Management Committee and may from time to time constitute other Board committees.

The Audit and Risk Management Committee comprises Mr David Connolly, Chairman; Ms Winsome Hall, Member; Ms Joy Palmer, Member; and Mr Des Moore, Member.

Table 2: Board and Board Committee meeting attendance 2005/06

	Board Meetings		Audit & Risk Management Committee	
	Attended	Eligible to Attend	Attended	Eligible to Attend
Susan Doyle	11	11	n/a	n/a
David Connolly	10	11	6	6
Peter Feltham	11	11	n/a	n/a
Winsome Hall	9	11	6	6
Des Moore	10	11	6	6

Board staff

The Board staff are responsible for providing advice to the Board, for implementing Board decisions and for the ongoing management of the Board's functions and responsibilities. Specifically the Board staff are responsible for:

- developing and implementing corporate strategies and plans
- managing the relationships between the Board and service providers
- managing the Board's financial affairs in relation to the administration of the PSS and the PSSap
- ensuring the Board's responsibilities to maintain appropriate records are met
- advising the Board on investment strategy
- coordinating advice from external advisers and overseeing the recommendations which go to the Board
- 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 Board.

Board resources

Human resources

During 2005/06, the number of staff employed jointly by the PSS and CSS Boards increased from 24 to 34 as the Boards expanded their investment, compliance, communications and finance teams. Staff employed directly by the Board are engaged on fixed-term contracts.

Staffing profile

Table 3: Staff numbers at 30 June 2006

Employment category	Male	Female	Total
Full-time staff employed jointly by the PSS and CSS Boards	14	15	29
Part-time staff employed jointly by the PSS and CSS Boards	0	5	5

Non-salary benefits

The PSS Board offers all staff a variety of non-salary benefits that are individually negotiated. Examples of benefits that may be packaged are leased motor vehicles, laptop computers, professional membership fees and additional superannuation.

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



Performance pay

During 2005/06, the PSS Board (in conjunction with the CSS Board) paid a total of \$250 156 in performance bonuses to 15 staff. The average performance bonus paid was therefore \$16 677.

Professional development

Ongoing staff training and development is an important component of the Board's human resource management as well as a specific requirement for the Board in maintaining its Australian Financial Services (AFS) licence.

During 2005/06, all Board staff participated in a range of continuing professional development activities, including specialised courses in investment, risk management, finance and operations.

Occupational health and safety

Under the *Occupational Health and Safety (Commonwealth Employment) Act 1991* and the *Safety, Rehabilitation and Compensation Act 1988*, the PSS Board has a general duty of care which must be met by taking all reasonably practicable steps to protect the health and safety of its employees and third parties at work. Staff employed by the PSS Board 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.

Financial resources

Board administration costs

The PSS Board is responsible for the administration of the PSS Schemes and the management and investment of the PSS Fund. Costs of the PSS Board related to its responsibilities for the management of the

PSS Fund and the investment of its monies are a charge against the Fund. Fees paid to the Chairman of the PSS Board and a proportion of those paid to the Trustees are also a charge against the Fund.

All other costs incurred by the PSS Board are met from revenues generated through user-charging arrangements with employer agencies and the Department of Finance and Administration. Under current administrative arrangements and on behalf of the Board, the scheme administrator recovers the Board's administration costs from employer agencies, together with their costs of administering the PSS, and then transfers to the Board the Board's share of those monies.

Funding arrangements

The PSS legislation allows the Board to hold only monies belonging to the PSS Schemes. The legislation does not provide any capacity for the Board to hold monies in respect of its administration of the PSS Schemes. To enable the PSS Board to hold such monies, the Board became a prescribed agency under the *Financial Management and Accountability Act 1997* (FMA Act) from 1 July 2002.

As a result of obtaining 'FMA agency' status, the PSS Board is required to prepare two sets of financial statements—first, in respect of the monies held in the PSS Schemes (the Scheme financial statements) and second, in respect of the Board's administration monies (the Board financial statements).

Purchasing

In 2005/06, the PSS Board complied (in relation to monies the subject of the FMA Act) with the purchasing principles and policies outlined in the Board's Chief Executive Instructions. These instructions are consistent with the key principles set out in the Commonwealth Procurement Guidelines: value for money; open and effective competition, promoting national competition and developing industry; supporting other Commonwealth policies; ethics and fair dealing; and accountability and reporting.

Contracts with investment managers are not covered by the Commonwealth Procurement Guidelines.

Assets management

The Board's assets, not including the investments and other assets of the PSS Schemes, were recorded and managed in accordance with the Board's Chief Executive Instructions.

Ecologically sustainable developments and environmental performance

In conducting its operations, the PSS Board makes every effort to minimise the environmental impact of its activities by ensuring that:

- waste paper and cardboard is recycled
- lighting and energy use is minimised
- its offices, where practicable, use recycled paper and other products in their activities.

Corporate governance

The PSS Board is constituted under the *Superannuation Act 1990* and the regulations under that Act. It is accountable to members of the Schemes under the SIS legislation 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 interest in respect of the administration and investment of the Schemes.

Board members are required by SIS legislation 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, the Board has developed a governance statement to assist in carrying out its duties, including the wide range of discretions it is required to exercise.

Pursuant to its general governance principles, the Board:

- 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; and
- will at all times act ethically and impartially.

The Governance Statement is set out in full on the Board's website (see <http://www.pss.gov.au/pss/governance/statement.htm>).

In conjunction with the governance principles, the Board's responsibilities for the Schemes are supported by comprehensive business risk management strategies and compliance programs.

Licences

The Board gained its APRA (Australian Prudential Regulation Authority) licence on 28 March 2006. It holds this licence in addition to its AFS (Australian Financial Services) licence, administered by ASIC (the Australian Securities and Investments Commission). Significant risk management and compliance resources are necessary to meet the requirements of these licences.

Risk management

As an APRA licensee, the Board has a comprehensive risk management program in place. This covers a range of business and governance risks and outlines risk minimisation strategies for all identified risks. It is kept under constant review by the Board's Audit and Risk Management Committee. It is reviewed annually in conjunction with the Board's business plan, and updated or amended as required to meet any emerging risk or changed risk treatment.



Compliance

The Board's compliance program assists meet AFS licence requirements and underpins the Board's risk management strategy. 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 relevant service standards, in addition to licensing requirements. This is done regularly – either monthly or quarterly. The Audit and Risk Management Committee oversees compliance reporting and remediation where breaches have occurred. Consistent with the Board's breach policy, breach reports are required within a timeframe that enables the Board to make timely breach reports to a regulator, if required.

Fraud control

As an FMA agency (ie an agency covered by the *Financial Management and Accountability Act 1997*) the Board has a current fraud control plan and fraud risk assessment that have been prepared in accordance with the Commonwealth Fraud Control Guidelines. Generally the Board is assessed as having a stable risk environment with effective controls in place.

Internal audit

Each year the Audit and Risk Management Committee agrees a plan of internal audit, in consultation with Board staff and the Auditor-General, the Board's external auditor. 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 changes. The annual internal audit plan is additional to ad hoc audits that can be required by the Audit and Risk Management Committee to address changed business priorities or risk profile.