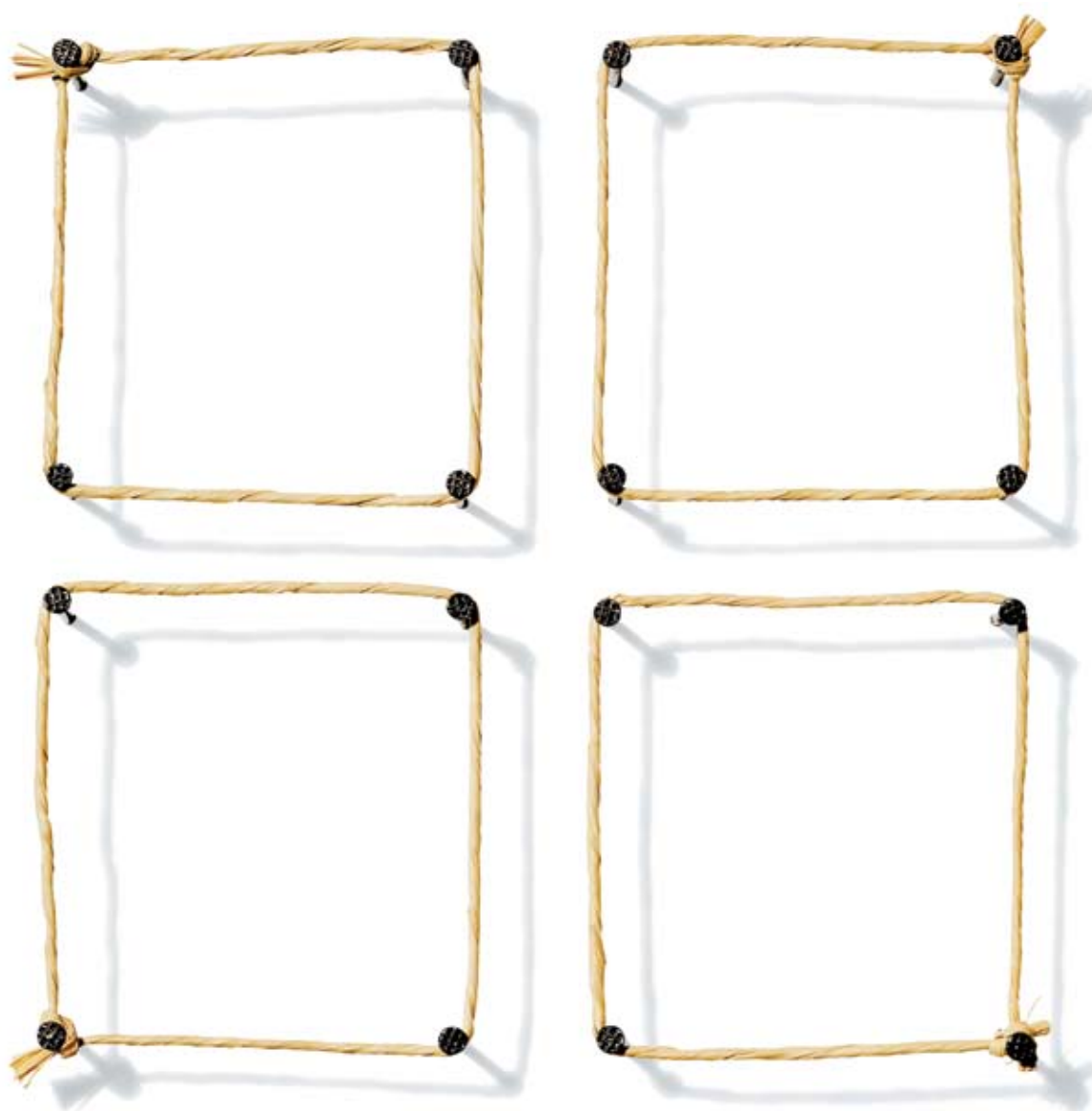




# Working Paper

## Superannuation fund governance: trustee policies and practices

Wilson Sy, Chris Inman, Neil Esho and Renuka Sane – July 2008



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# Superannuation fund governance: trustee policies and practices

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## Attachment

Summary tables of survey responses and analyses of statistical significance

## Executive summary

Since 2002, APRA has undertaken considerable research and statistical analysis in the superannuation industry. This work is facilitated by APRA's role as the national statistical agency for the Australian financial sector. APRA has comprehensive statistical collections in superannuation extending back to 1995.

APRA has a prudential responsibility to administer the provisions of the *Superannuation Industry (Supervision) Act 1993* and associated regulations. Since 30 June 2006, all trustees of APRA-regulated superannuation entities are licensed. Licensees are encouraged to have appropriate risk management systems and risk management plans for funds under their trusteeship.

In June 2007, APRA published a special edition of *Insight*, containing 10 years of superannuation data (1996-2006). APRA classifies superannuation into four major types or sectors: Corporate, Public Sector, Industry and Retail. The first three are described as 'not for profit' funds while Retail funds offer superannuation to the public on a commercial basis. One of the features of the published statistics was the systematic difference in investment returns between the four sectors over the ten-year period.

Under the auspices of the Council of Financial Regulators (a body composed of the Reserve Bank of Australia, the Australian Securities and Investments Commission, APRA and the Treasury), APRA has undertaken further research including the reasons for the differing performance between fund types. Two surveys were involved. The findings of the first survey, which examines superannuation fund governance, are reported in this article. A second survey seeks to disaggregate fund returns into constituent elements comprising asset allocation, investment performance and expenses. The findings of this survey will be published at a later time.

The governance survey found that in many areas of trustee policies and practices, there was little difference between sectors. In other areas there were statistically significant differences. Some of the most important findings of the survey include:

- (a) Whilst there are few explicit policy requirements for the qualification, experience and training of trustee directors, in practice trustee directors of the large funds in the survey are typically well qualified, experienced and reasonably well trained in their trustee duties. APRA considers this outcome to satisfy 'fit and proper' rules in this area, which avoid prescription in favour of trustee judgement. By and large this approach seems to be working well. There are some differences by trustee type, but all superannuation sectors in general seem to be successful in selecting experienced and qualified trustee directors.
- (b) Superannuation is typically an enterprise employing substantial outsourcing. Most trustees outsource many aspects of fund operations and, as a group, they report reasonably good practice in managing these outsourced arrangements. This finding is supported by trustee licensing and the results of APRA's supervisory activities, which in most cases demonstrate that trustees are doing a satisfactory job in managing their outsourcing risks.
- (c) In many areas, there are statistically significant differences in policies and practices between trustees in the four sectors. Retail trustee practice is more often different from those of the trustees in other sectors.

- (d) Broadly speaking, Retail trustee boards seem to act more like the boards of shareholder-owned corporations, whereas trustees of other sectors tend to act more like traditional mutual superannuation trustees. Relative to the other trustees, Retail trustees have fewer directors, shorter (but just as frequent) board meetings, and rely more on fund executives to take the initiative on most key decisions. By contrast, trustees in the other three sectors mostly make the decisions with the main input coming either from themselves or from their consultants.
- (e) More than half of all Retail trustee directors are employed by related parties or by the fund itself, and very few are nominated by fund members. By contrast, many Industry, Corporate, and Public Sector trustee directors are member-nominated. This is an inevitable difference flowing from the structure and the equal representation provisions associated with directors in 'not for profit' funds. As a group, Retail trustee directors are paid considerably more for their trustee services than trustee directors in the other sectors.
- (f) More than half of Corporate, Public Sector, and Industry trustee directors are themselves members of their funds and, where they are members, they hold more than seventy per cent of their total superannuation assets in the fund. About one in five Retail trustee directors are members of their funds, typically for less than sixty per cent of their total superannuation assets.

## 1. Introduction

Superannuation is a cornerstone of the national economic strategy for funding the needs of Australians in retirement. Over the past decade, superannuation assets have quadrupled to over \$1.1 trillion and this growth is expected to continue for many years to come.

In recent years, it has become increasingly evident that there are systematic differences in net investment return between different types of superannuation funds. In particular, Retail funds tend to earn lower risk-adjusted returns on average than other types of funds, as shown in an APRA research publication (Coleman, Esho and Wong, 2006). More recently, APRA (2007) published a ten-year statistical summary of the superannuation industry that, among other things, indicated a lower long-term net return on assets for Retail funds, relative to other types of funds.

This raises the question: why, how and to what extent do differences between trustees in different sectors impact on different long-term performance outcomes? Under the auspices of the Council of Financial Regulators, APRA has undertaken a research project to analyse the investment performance, conduct of trustee duties and the business relationships of large Australian superannuation funds.

To achieve the project's objectives, APRA developed two questionnaires: a qualitative Superannuation Trustee questionnaire focussing on governance policies and practices by trustees and a quantitative Investment Performance questionnaire, focussing on risk-adjusted returns for funds and members. These questionnaires were distributed to all APRA-regulated superannuation funds with total assets exceeding \$200 million as at 30 June 2005. Participation was compulsory under section 29EA of the *Superannuation Industry (Supervision) Act 1993* (SIS Act), which was invoked through a condition of the Registrable Superannuation Entity (RSE) licence requiring regulated superannuation funds to submit information to APRA from time to time.

The questionnaires were initially developed with input from industry. They were tested and updated following the analysis of a pilot questionnaire of 15 funds conducted in 2005. The questionnaires were subsequently redesigned with further industry input and comments from Treasury. They were then checked in consultation with various industry representative bodies and other government agencies in 2006. These streamlined questionnaires enabled trustees to efficiently provide a significant amount of useful information.

This article describes the data collected from the Superannuation Trustee questionnaire. The results of the Investment Performance questionnaire will be published later. Based on statistical and licensing returns to APRA for June 2005, 196 funds were eligible to participate in the questionnaires. Due to windups and mergers of superannuation funds over the RSE licensing period to June 2006, 187 superannuation funds remained and all completed the Superannuation Trustee questionnaire. This data collection represents virtually the whole population of large superannuation funds.

A complete data collection has been achieved for relevant funds and, with two exceptions, APRA is satisfied that the data are of high quality. Firstly, a number of retail funds are structured as investment platforms and did not provide their long lists of investment managers in their submitted data tables on service providers, as

APRA asked only for service providers that provide more than five per cent of any specific fund function. Secondly, some respondents cited protection from privacy laws as a reason for not revealing to APRA trustee director information such as remuneration by their boards. These exceptions do not materially affect the overall findings of the survey.

This article presents the results from the Superannuation Trustee questionnaire. Chapter 2 contains an industry overview of trustee governance of the large superannuation funds. Chapter 3 contains an analysis of trustee governance of the funds according to the four major sectors, i.e. Corporate, Public Sector, Industry and Retail. Chapter 4 summarises the findings. An Attachment provides a comprehensive tabulated summary of the collected data, followed by an analysis of the statistical significance of observed differences in governance behaviours between sectors.

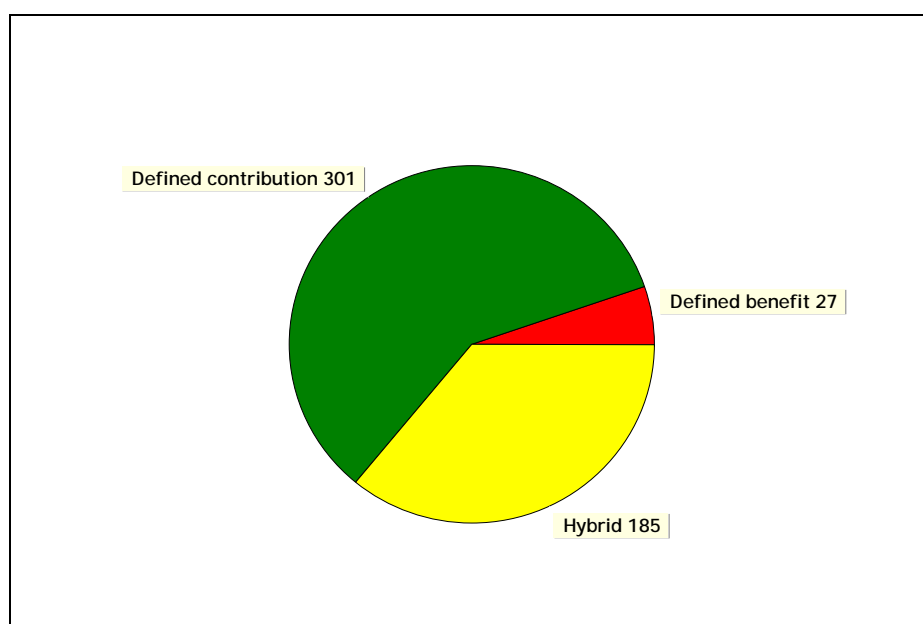


## 2. Industry overview

### Scope of the survey

The Superannuation Trustee questionnaire was sent out in August 2006. Submissions were received in November 2006 from the 187 major superannuation funds in the survey, with aggregate total assets of about \$513 billion representing about 85 per cent of the nation's total institutional pension assets in June 2006. All but ten funds have been regulated for five years or more. Only ten funds (5.3 per cent) are exclusively defined benefit, with 114 (61 per cent) being defined contribution and 63 (33.7 per cent) being hybrid, with both defined benefit and defined contribution components. The distribution of total assets by fund type is shown in Figure 1.

Figure 1: Distribution of total assets by fund type



The funds have a total of 1,319 trustee directors employing at least 2,575 service providers to administer and manage investments for 20 million member accounts. In this sample, the averages (arithmetic means) for the funds are seven trustee directors per fund, \$2.7 billion in total assets, 107,700 member accounts and at least 14 service providers employed.

### Board practice

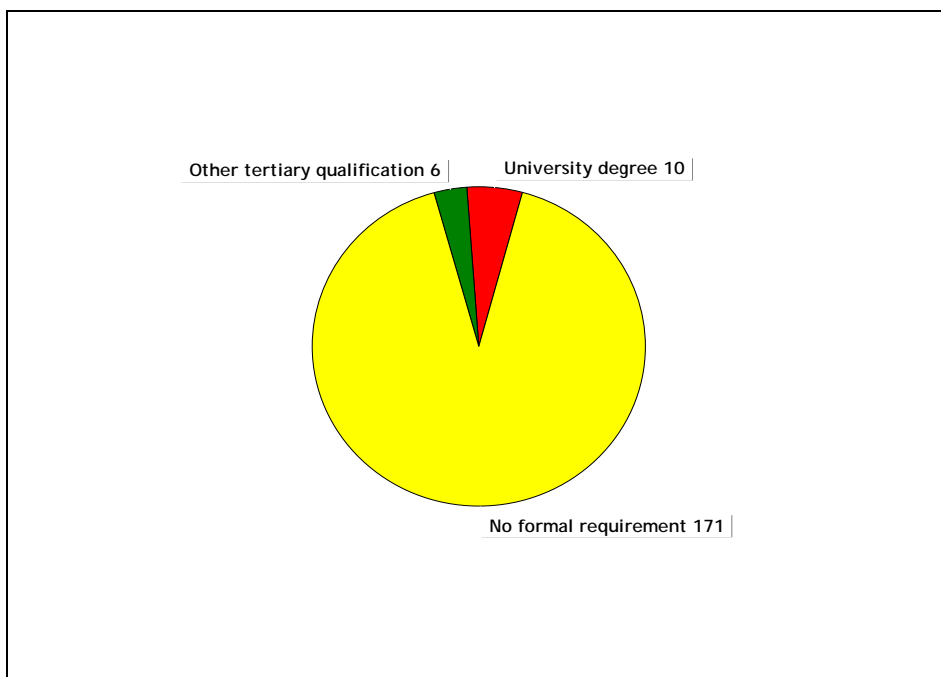
The funds have an average of 8.1 board meetings per year, with each board meeting having a mean duration of 3.6 hours. The meetings are supplemented on average by 12.8 sub-committee meetings per year, which lead to each trustee director spending on average 98.8 hours per year on fund matters outside board meetings. The funds review the performance of individual trustee directors mostly annually (70.6 per cent) or, in a small minority of cases, every two or three years (4.8 per cent). However, a significant proportion of directors (24.6 per cent) have no regular reviews.

## Board policy on directors

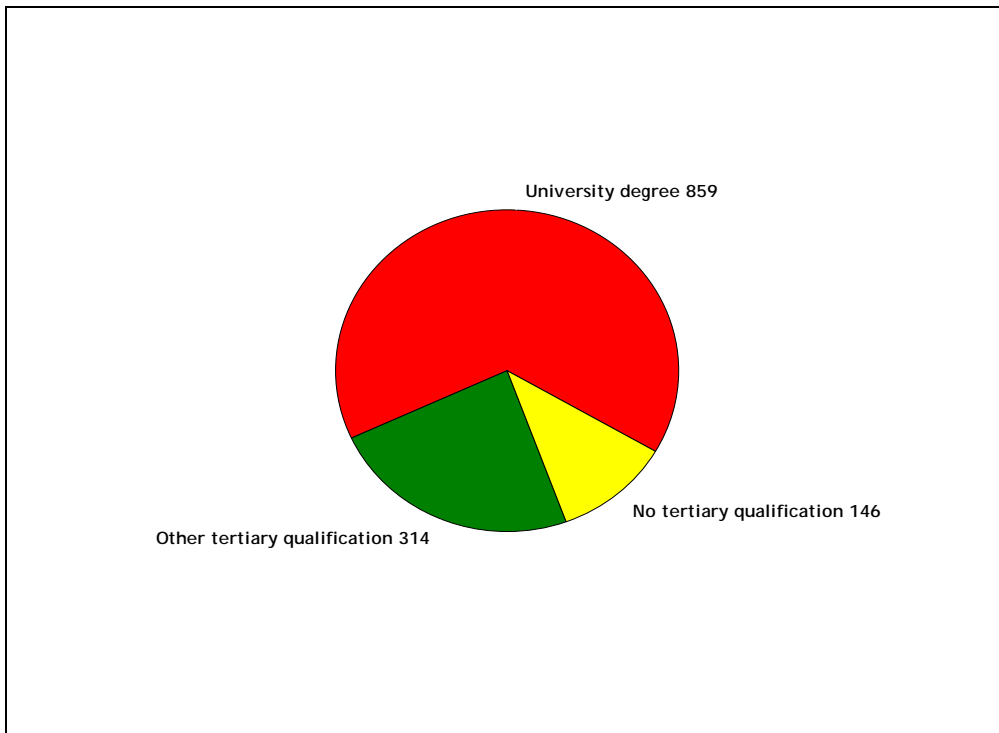
More than 90 per cent of the funds do not explicitly require their directors to have formal educational qualifications for their role as trustee directors (Figure 2a). Most funds (81 per cent) do not require their directors to have superannuation or investment experience. However, 68 per cent of the funds require directors to have some formal trustee training.

In contrast to board policy requirements, 65 per cent of directors have university degrees and only 11 per cent of directors have no tertiary qualifications (Figure 2b). Only 8.6 per cent of directors have less than one year of experience on the boards of superannuation trustees, while 56 per cent have five years or more of such experience. Slightly less than 49 per cent of directors have full formal trustee training, as defined by the standards (PS 146) of the Australian Securities and Investments Commission. About 49 per cent have some training and only 3 per cent have no formal training at all. On average, trustee directors have active memberships of 1.6 professional bodies, with 25.9 per cent having no such participation.

**Figure 2a: Policy requirements for educational qualifications of board directors**



**Figure 2b: Actual educational qualifications of board directors**



In most cases (about 91 per cent), the funds have no explicit requirements on the number of years a director can serve on the board and none of the funds places any limits on the number of simultaneous directorships a director can hold. The average number of years directors have served on their current boards is 5.3 years and the actual number of other directorships currently held by the directors is 3.5 on average.

### **Board policy on governance**

Most boards (76 per cent) have both independent audit and regular self-assessments to review compliance with the SIS Act and other regulations. The same percentage of funds has a formal policy on arm's-length dealing and documentation on related-party service providers. On director associations with fund service providers, 90 per cent of funds have formal policies to manage potential conflicts of interest, including the use of disciplinary action. However, only 41 per cent of funds have formal policies to forbid the use of 'soft dollar' arrangements, i.e. where indirect payments are made to service providers without being recorded as standard fees or commissions. About 10 per cent of the funds either permit or actually use soft dollar arrangements.

Over the three-year period preceding the survey, funds had conflict of interest issues minuted in board meetings on average 6.6 times for directors and 1.7 times for non-directors. The minutes of board meetings include discussions or declarations of either actual or potential conflicts of interest.

## Board priorities

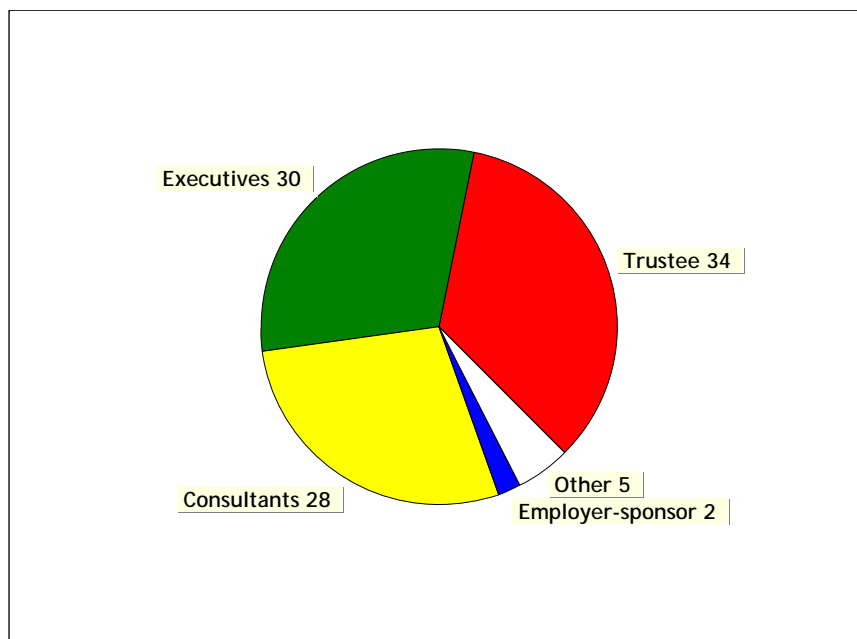
The survey reveals that the highest priority for most trustee boards is 'Ensuring compliance with legislation and regulation'. On a scale from one to ten with one as the highest priority, the trustees rated this priority at 1.9. The second most important priority, with an average rating of 3.8, is 'Reviewing and assessing the fund's investment performance'.

The highest priority measured in terms of the time taken for a task is 'Ensuring compliance with legislation and regulation', which takes an average of 23 per cent of the board's total time. The second most time-consuming task, taking 13.7 per cent of the board's time, is 'Reviewing and assessing the fund's investment performance'.

## Board key decision input

Overall, input into key decisions of the trustee board comes mainly from the trustee directors (34 per cent), executives (30 per cent) and consultants (28 per cent), in rounded percentages (Figure 3). Employer-sponsors and others contribute to the remaining 7 per cent of the input to key decisions.

**Figure 3: Percentage input to key decisions of the board**



Relative to all decision-makers, the trustee directors have the greatest input into administrator selection (54 per cent), asset consultant selection (49 per cent) and setting objectives and risk tolerance (40 per cent). Fund executives have the most input in introducing a new investment option (39 per cent) and consultants have the most influence in benchmark design (41 per cent), investment manager selection (40 per cent), foreign exchange hedging policy (38 per cent), strategic asset allocation (37 per cent) and performance monitoring (35 per cent) of fund investments.

## **Service providers**

Trustees were asked to submit data on service providers that perform more than five per cent of specific functions of their funds, as stipulated in the questionnaire. Of the 2,575 service providers, 1,410 (55 per cent) are investment managers, averaging 7.5 managers per fund. Some 1,082 (42 per cent) are sole service providers of particular types of fund function such as administration or custody. On average, a service provider performs 56 per cent of a particular function of the fund.

The average number of years a service provider is employed by a fund is six years, with 35 per cent of funds using a service provider for three years or less.

About 14 per cent of the service providers have entity relationships with their funds. The most likely relationship was having a common parent company (5.2 per cent). About 11 per cent of the service providers have some associations with board directors, with common directors between service providers and trustees being most likely for 5 per cent of the providers.

The funds pay service providers asset-based fees or flat dollar fees per year, or sometimes both. Funds may not pay any fees to some service providers, either because the service may have been bundled with other paid services or the fees are charged implicitly, such as receiving investment returns net of fees. Of those service providers receiving payments, 1,341 (52 per cent) received an average of 0.31 per cent per annum in asset-based fees and 939 (37 per cent) received an average \$704,000 flat fee per year.

Fees to service providers are often (50 per cent) netted off in investment returns without being formally disclosed, while about 25 per cent are disclosed by explicit statement in accounts and 25 per cent stated in fee tables of Product Disclosure Statements (PDS).

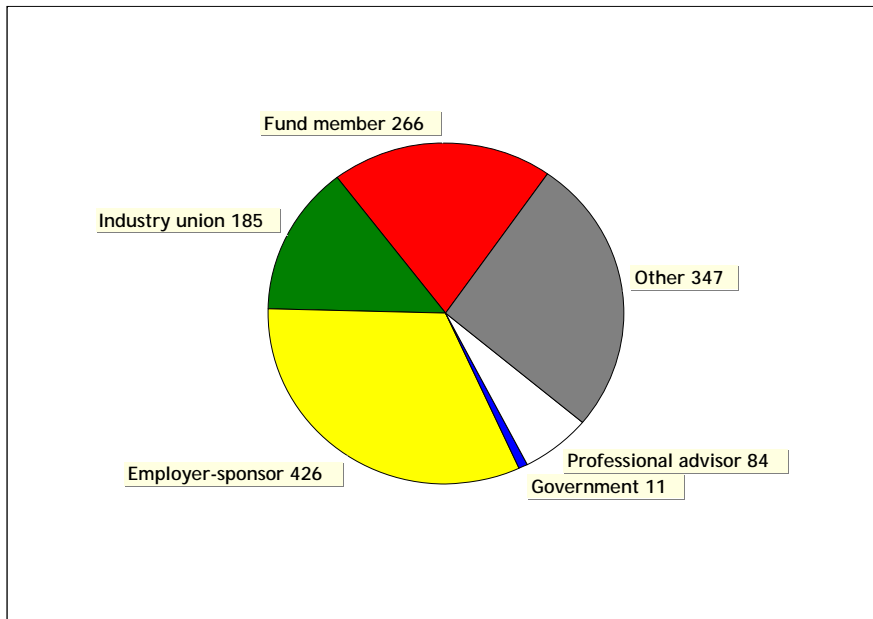
## **Board directors**

The average age of board directors is 53 years, with 37 per cent in their 50s. About 24 per cent (316) of the directors are 45 years or less, 54 per cent (713) are aged between 46 and 60 and the remaining 22 per cent (290) over 60. This age distribution of directors appears consistent with what might be expected from the broader demographic distribution, reflecting generational diversity.

The average number of years directors have served on their current board is 5.3 years, with 64 per cent having served five years or less. The directors have an average of 7.1 years of experience on the boards of superannuation trustees. The primary employers of the directors are mostly employer-sponsors (38 per cent), self-employed (22 per cent) or fund service providers (13 per cent). The directors are employed by their primary employers mainly as senior executives (35 per cent), fund directors (23 per cent) or self-employed (15 per cent).

On the average trustee board, 32 per cent of the directors are employer-sponsor representatives, 26 per cent do not represent any specified interest group (but may be executives) and 20 per cent are fund member representatives. Board directors are mostly appointed internally (30 per cent) or nominated by employer-sponsors (28 per cent), members (16 per cent) or trade unions (14 per cent).

Figure 4: Distribution of types of representation of board directors



Those directors who are paid by the trustee board receive average remuneration of approximately \$38,000. Some 54 per cent of directors were either not paid by the board or did not declare their pay. On average, trustee directors invest 40 per cent of their own superannuation in the funds they govern or manage, with 34 per cent putting in all of their own superannuation. Some 48 per cent of directors do not put any of their own superannuation in their funds. About 20 per cent of the directors have a family member invested in the fund that the director governs or manages.

There are 462 directors (35 per cent of total directors) who have one or more declared associations with service providers. Of these directors, 47 per cent have single associations where trustee directors are also directors of the service providers, 22 per cent are simply in paid employment by the service providers, 10 per cent have shareholder or other relationships with the service providers and 21 per cent of the directors have two or more such associations with the service providers. Where a director does obtain regular remuneration from a service provider, the average pay per year given by the service provider is \$175,000.

### 3. Trustee governance of funds by sector

This Chapter highlights some of the differences in survey responses between fund sectors that have been found to be statistically significant. A full summary of the survey responses is presented in the Attachment.

All funds in the Superannuation Trustee survey have more than four members. *Corporate* funds are regulated superannuation entities established for the benefit of employees of one or more related entities, with joint member and employer control. *Public Sector funds* are superannuation entities that provide benefits for Government employees or are schemes established by a Commonwealth, State or Territory law. *Industry funds* are regulated superannuation entities that provide for employees working in one or more industries. *Retail funds* are superannuation funds that offer superannuation products to the public on a commercial basis. About one-third of the Industry funds in the survey are public offer funds, which offer or intend to offer superannuation interests to the public on a commercial basis.

Table 1: General statistics by sector

Statistics	Corporate	Public Sector	Industry	Retail	Total
Number of funds	40	16	55	76	187
Total assets (\$b)	43	52	150	268	513
Membership (million)	0.38	0.86	9.55	9.35	20.14
Av member per fund (thousand)	10	54	174	123	108
Av member account balance(\$'000)	113	60	16	29	25

Industry and Retail funds together account for 70 per cent of the population of funds, 81 per cent of the assets and more than 93 per cent of the members. These two sectors contain the vast majority of the public offer funds. As Table 2 shows, more than 75 per cent of the funds in these sectors are defined contribution funds with the rest being defined benefit funds or hybrids (mixtures of the two types). In contrast, less than 20 per cent of the funds in the other sectors are defined contribution funds.

Table 2: Fund type distribution by sector

Fund type	Corporate	Public Sector	Industry	Retail
Defined benefit/hybrid	35	13	13	12
Defined contribution	5	3	42	64
Defined contribution (per cent)	13	19	76	84

Table 3 shows Corporate funds are mostly medium to small in asset size, with only five out of eight (12.5 per cent) being large (more than \$2 billion in assets). Public Sector funds are mostly large to medium, with only one out of 16 (6.3 per cent) being small (less than \$0.5 billion in assets). Industry and Retail funds also tend towards the large to medium end of the size spectrum, with 15 out of 55 (about

27 per cent) and 17 out of 76 (about 22 per cent) of these funds, respectively, being small.

**Table 3: Asset size distribution by sector**

Size	Corporate	Public Sector	Industry	Retail	Total
Large (> \$2 billion)	5	8	19	31	63
Medium (\$0.5-\$2 billion)	18	7	21	28	74
Small (< \$0.5 billion)	17	1	15	17	50
Total	40	16	55	76	187

### Board practice

A number of aspects of board practice have been found to differ across fund sectors in a statistically significant way, as summarised in Table 4.

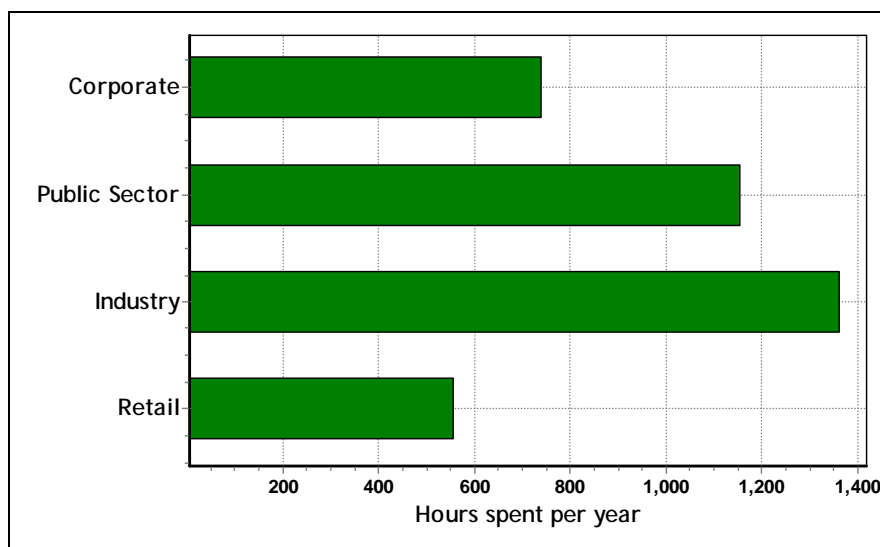
**Table 4: Board practice distribution by sector**

Board practice	Corporate	Public Sector	Industry	Retail
Average number of directors per fund	7.8	7.5	9.1	5.1
Average number of board meetings p.a.	6.7	9.1	7.5	9.1
Average hours per board meeting	3.9	4.4	4.8	2.4
Average number of subcommittee meetings p.a. per fund	13.1	15.1	14.7	10.7
Average hours spent p.a. per director outside board meetings	69	123	119	90

Taking into account the number of directors, the number of hours spent in board meetings and the number of hours spent on fund matters outside board meetings, the amount of effort in director time spent for each fund can be estimated. Figure 5 shows that, on average, industry fund directors spent the most time inside and outside board meetings for the fund (1,364 hours). In contrast, Retail fund directors spend the least amount of time at an average of 559 hours.



Figure 5: Average number of director hours spent per fund per year



### Board policy on directors

More often than funds in other sectors, Corporate and Retail funds require their directors to have formal educational qualifications and superannuation or investment experience. These funds have low percentages of trustee directors with no tertiary qualifications, at 10 per cent and 3 per cent respectively, while 17 per cent of trustee directors in both Public Sector and Industry funds have no tertiary qualifications.

On the other hand, directors of Industry funds usually have formal trustee training. Only 8 per cent of their directors have less than 20 hours of formal training and 31 per cent have full ASIC PS146 competency training.

Most Retail funds (85.5 per cent) undertake annual performance reviews of individual directors, in contrast with Public Sector funds where only 37.5 per cent undertake annual performance reviews, 6.3 per cent undertake less frequent reviews and 56.2 per cent have no regular reviews.

### Board policy on governance

As mentioned above, most funds in the survey have formal policies on trustee governance, particularly in relation to reviewing compliance with the SIS Act and other regulations.

The minority of funds that do not have policies on some aspects of governance are therefore noteworthy and they differ across sectors. Table 5 collects responses from several questions where there is no board policy on some aspects of trustee governance. Some 33 per cent of Corporate funds have no specific policy on related-party service providers. Between 33 per cent and 44 per cent of all funds either permit and use soft dollar arrangements or have no specified policy on such arrangements.

Table 5: Absence of board policy by sector

Response (per cent of funds)	Corporate	Public Sector	Industry	Retail
No policy on related party	33	13	22	5
No policy on director associations	13	13	15	1
No policy on soft dollar arrangements or are permitted	43	44	35	33
No regular review of directors	20	56	33	15

### Board priorities

Boards were asked to rank key tasks in terms of priority on a scale from one to ten, with one being the highest priority. They were also asked to rank the same key tasks in terms of time taken as a percentage of the total time spent by the boards.

'Ensuring compliance with legislation and regulation' is ranked on average as the highest priority by funds in all sectors except Public Sector funds, which rank this as the second priority behind 'Determining and implementing the fund's asset allocation'.

Table 6: Average priority rankings of key tasks

Key task	Corporate	Public Sector	Industry	Retail
Determining and implementing the fund's asset allocation	3.7	3.1	3.2	6.4
Selecting and assessing investment managers	5.8	5.2	5.4	4.9
Selecting and assessing the administrator	5.5	5.8	5.4	5.1
Selecting and assessing asset consultants	7.4	6.9	6.5	8.4
Reviewing and assessing the fund's investment performance	3.5	4.4	3.8	3.8
Assessing quality of member services/needs of members	5.4	4.3	4.7	4.4
Communicating and making presentations to employer-sponsors, members or advisors	7.1	8.3	8.6	7.6
Assessing the fund's competitiveness (on fees, product offering etc)	8.4	6.6	6.9	6.4
Ensuring compliance with legislation and regulation	1.6	3.4	2.3	1.4
Other (including insurance claims, consulting with actuaries and auditors and other board tasks)	6.5	7.0	8.2	6.7

The next highest priority selected by both Corporate and Retail funds is 'Reviewing and assessing the fund's investment performance', while Industry funds selected as their next priority 'Determining and implementing the fund's asset allocation'.

'Ensuring compliance with legislation and regulation' also takes the most time for the board of all sectors except Public Sector funds, which spend more time on average in 'Reviewing and assessing the fund's investment performance'. This

latter task is the next most time-consuming task for Industry and Retail funds, while for Corporate funds this task is 'Other (including insurance claims, consulting with actuaries and auditors and other board tasks)'.

**Table 7: Average time taken (per cent) by boards on key tasks**

Key task	Corporate	Public Sector	Industry	Retail
Determining and implementing the fund's asset allocation	7.6	11.3	10.2	5.6
Selecting and assessing investment managers	7.3	10.7	10.2	8.1
Selecting and assessing the administrator	8.0	8.8	7.7	8.2
Selecting and assessing asset consultants	4.7	4.2	5.1	3.6
Reviewing and assessing the fund's investment performance	13.8	14.7	15.4	12.2
Assessing quality of member services/needs of members	7.5	11.4	10.9	11.6
Communicating and making presentations to employer-sponsors, members or advisors	6.5	4.4	4.8	5.5
Assessing the fund's competitiveness (on fees, product offering etc)	5.2	7.1	7.1	6.9
Ensuring compliance with legislation and regulation	23.2	14.4	17.5	28.7
Other (including insurance claims, consulting with actuaries and auditors and other board tasks)	16.2	13.1	11.0	9.5

### Board key decision input

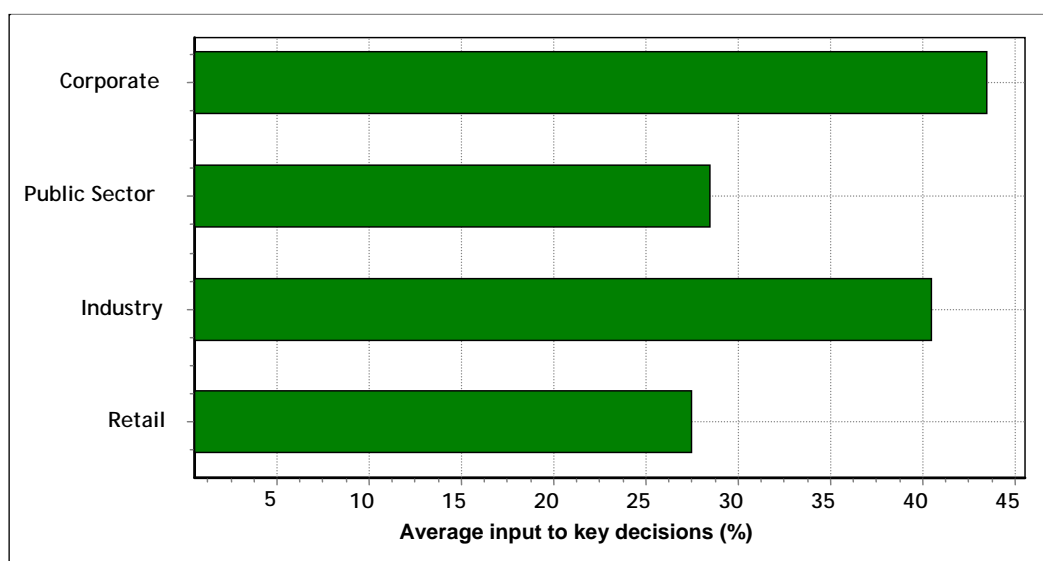
Table 8 shows that the trustee board has the greatest influence in key decisions in the Corporate sector, where the trustee is the main source of input to five out of ten key decisions. Asset consultants are the main source of input for 50 per cent or more of the key decisions for all funds, except Retail sector funds.

**Table 8: Main sources of input to key decisions by sector**

Key decision	Corporate	Public Sector	Industry	Retail
Objectives and risk tolerance	Trustee	Consultant	Trustee	Executive
Strategic asset allocation	Consultant	Consultant	Consultant	Executive
Benchmark design	Consultant	Consultant	Consultant	Executive
Investment manager selection	Consultant	Consultant	Consultant	Executive
Performance monitoring	Consultant	Consultant	Consultant	Executive
Introducing a new fund option	Trustee	Executive	Trustee	Executive
Default option asset allocation	Trustee	Consultant	Consultant	Executive
Asset consultant selection	Trustee	Trustee	Trustee	Executive
Administrator selection	Trustee	Trustee	Trustee	Trustee
Foreign exchange hedging policy	Consultant	Consultant	Consultant	Executive

Even though the trustees ultimately make the decisions, executives of Retail funds (who may also be trustee directors) are the principal source of input to key decisions, with the trustees the main source only on administrator selection. As Figure 6 shows, trustee directors on average have more input to key decisions in the Corporate and Industry sectors than those in the other sectors.

Figure 6: Trustee input to key decisions



### Service providers

On average, Industry funds and Public Sector funds use 22.6 and 20.5 service providers per fund, well ahead of Corporate funds that use 12.3 service providers. Excluding 26 Retail funds that operate as investment platforms and use potentially very large numbers of investment managers, other Retail funds use an average of 6.8 service providers per fund.

Table 9: Service providers employed by sector

Function provided	Corporate	Public Sector	Industry	Retail
Administration	46	12	62	60
Custody	20	14	43	66
Insurance	36	14	82	82
Investment policy and strategy formulation	8	9	17	4
Investment: Australian listed equity	58	57	186	27
Investment: International listed equity	55	55	156	16
Investment: Australian fixed interest	18	14	58	7
Investment: International fixed interest	18	13	44	7
Investment: Australian listed property	8	9	31	7
Investment: Australian direct property	19	14	62	1
Investment: Cash instruments	12	10	43	16
Investment: Multiple asset classes	12	9	40	31
Investment: Multiple funds	1	5	10	15
Investment: Other (hedge fund etc)	28	32	160	8
Asset consulting	27	8	47	22
Implemented consulting	10	1	7	4
Actuarial service	40	12	22	18
Auditing	40	20	72	69
Legal service	36	14	80	41
Sales and marketing	0	5	20	12
<b>Total</b>	<b>492</b>	<b>327</b>	<b>1242</b>	<b>513</b>

Apart from platforms, which are administrative structures capable of handling many different types of managed investments, Retail funds use relatively few service

providers but rely more heavily than average on each service provider. Industry funds use the largest number of service providers because they tend to use several service providers for a particular function, such as managing Australian equity investments. This is consistent with the statistic that the average percentage of a particular function serviced by a provider is the lowest for Industry funds (42 per cent). This compares with Public Sector funds (58 per cent), Corporate funds (68 per cent) and Retail funds (76 per cent), excluding platforms.

The average number of years a service provider is employed by the fund is lowest for Public Sector and Industry funds, at 5 years and 5.1 years respectively, compared to 7 years for Corporate funds and 7.5 years for Retail funds.

**Table 10: Distribution of the number of years service providers are employed by sector**

Years service provider employed	Corporate	Public Sector	Industry	Retail
Less than 1	24	35	136	18
1	54	49	181	78
2	84	62	136	49
3	49	32	139	47
4	36	20	109	49
5	37	24	117	23
6	28	20	75	51
7	18	7	48	27
8	30	14	58	36
9	2	17	30	17
10	31	9	65	16
11	10	4	24	14
12	4	6	28	1
13	3	2	13	0
14	7	1	9	7
15	15	7	12	2
16	4	9	7	3
17	0	0	4	4
18	0	2	8	2
19	6	0	18	0
20	8	0	5	7
More than 20	42	8	18	62

Retail funds are much more likely to use service providers that are related parties, because they often operate within broader financial conglomerate structures. Typically, the provider is the parent company of the trustee, or the provider and trustee have a common parent company. Such relationships are found in 39 per cent of Retail funds, 10 per cent of Corporate funds and not at all in the other funds. The existence of such relationships also increases the likelihood of associations of service providers with board directors. Such connections include provider and trustee having common directors or a provider having trustee directors in paid employment. Such associations are found in 33 per cent of Retail funds, 10 per cent of Corporate funds and 5 per cent of Public Sector and Industry funds.

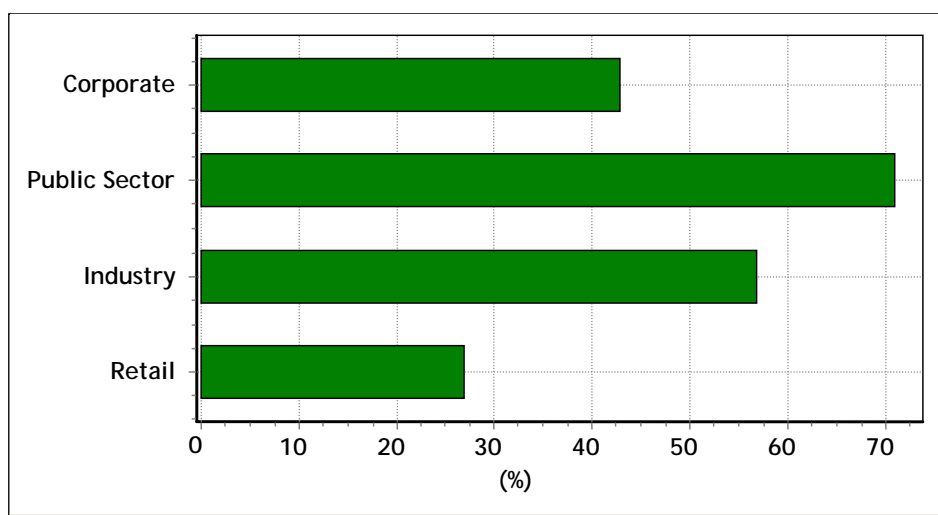
Table 11: Service provider relations to funds by sector

Service provider relationship to the fund	Corporate	Public Sector	Industry	Retail
Provider is the parent company of the trustee	25	0	0	86
Provider and trustee have common parent company	25	0	4	105
Provider is a wholly owned subsidiary of the trustee	0	0	7	0
Two of the above	1	0	0	0
No relationship	433	308	1161	313
Other relationship	8	20	70	9

Service providers of Public Sector and Industry funds are more likely (66 per cent and 59 per cent respectively) to be paid asset-based fees as a percentage of the assets serviced per year rather than a flat dollar fee, for which the relevant figures are 34 per cent and 39 per cent, respectively. The average asset-based fees for these sectors are 0.35 per cent and 0.37 per cent per annum of assets serviced, respectively. The asset-based fees paid by 46 per cent of Corporate and 33 per cent of Retail funds are lower at 0.26 per cent and 0.18 per cent per annum, respectively. However, Corporate and Retail funds almost as often pay flat dollar fees to service providers (37 per cent and 31 per cent respectively).

A service provider is considered to explicitly disclose its fees if the fees are disclosed by statements in financial accounts or in a PDS. As Figure 7 shows, the fees to service providers are often not explicitly disclosed; rather, they are charged implicitly by being netted off in investment returns.

Figure 7: Percentage of service providers whose fees are not explicitly disclosed



Retail funds often (49 per cent) state their fees indicatively in tables in the PDS of their funds. The use of PDS for disclosure of information to retail investors is a requirement of retail managed investment funds regulated by the Australian Securities and Investment Commission. About 21 per cent of Industry and Corporate funds use the PDS method for fee disclosure, while Public Sector funds rarely

(4.3 per cent) use this method.

The explicit statement of fees by service providers in financial accounts is relatively infrequent, with Corporate funds disclosing fees in this manner 36 per cent of the time, followed by Public Sector funds at 25 per cent, Retail funds at 23 per cent and Industry funds at 22 per cent of the time.

### **Board directors**

On average, board directors of Public Sector and Industry funds are older (56 and 55 years respectively), have more experience on trustee boards (8.2 and 8.5 years) and served longer on their current boards (6.5 and 6.7 years) than directors of Corporate and Retail funds. For Corporate and Retail directors, average ages are 50 and 51 years, average years of trustee experience are 6 and 5.8 years and years of service on their current boards are 4.3 and 3.9 years.

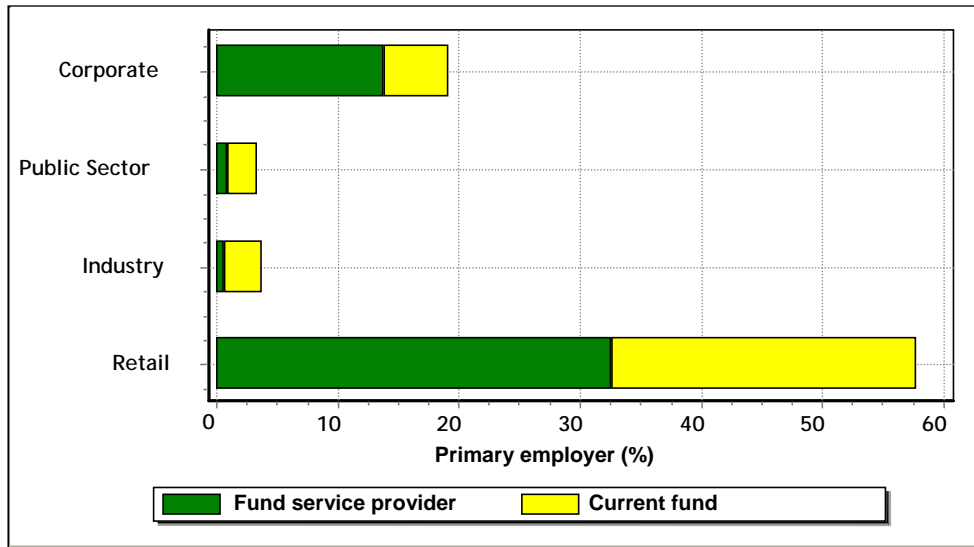
Between 52 per cent and 57 per cent of all directors in any sector belong in the 46-60 years age group. Corporate and Retail funds have more directors (32 per cent and 30 per cent) in the 45 or less age group and fewer (12 per cent and 18 per cent) in the over 60 age group. The situation is reversed for the other two sectors. Public Sector and Industry funds have fewer directors (10 per cent and 17 per cent) in the 45 or less age group and more (33 per cent and 29 per cent) in the over 60 age group.

Retail fund directors hold on average seven other directorships simultaneously, compared with 1.7 directorships for Corporate, 1.9 for Public Sector and 2.4 for Industry fund directors.

If board directors whose job types are managers or employees are defined as 'rank and file' board directors, Corporate funds have the largest average proportion (47 per cent) of rank and file board directors. Public Sector and Industry funds follow with 26 per cent and 27 per cent rank and file directors, respectively. Trustee directors of Retail funds are mainly senior executives (40 per cent) or professional directors (53 per cent) and only 7 per cent come from outside those job types.

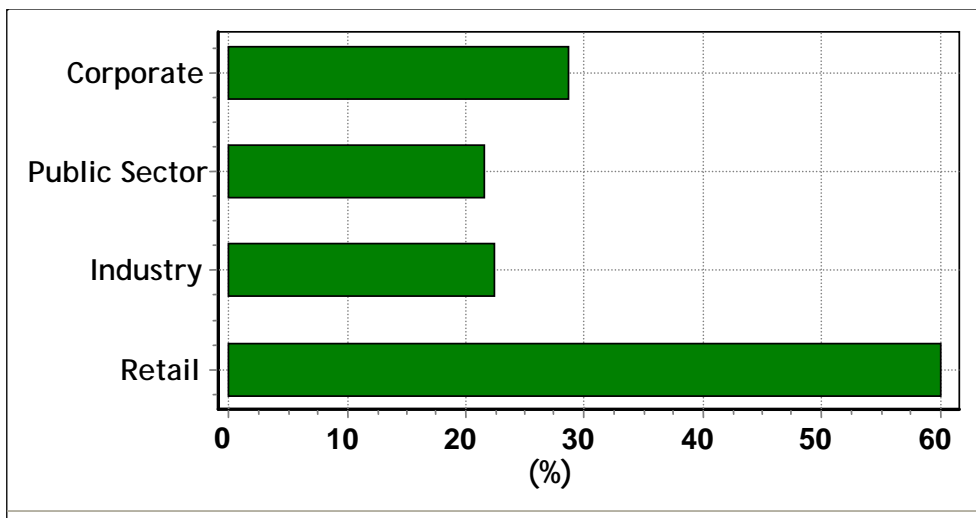
Employer-sponsors are the primary employers of the trustee directors for Corporate funds (72 per cent), Public Sector funds and Industry funds (both 40 per cent), while only 6 per cent of the directors of Retail funds have employer-sponsors as their primary employers. Industry unions are the primary employers of 14 per cent and 26 per cent of the directors of Public Sector and Industry funds, respectively. A significant proportion (25 per cent) of directors of Retail funds is primarily employed by their current fund compared with 5 per cent for Corporate funds and 3 per cent each for Public Sector and Industry funds. As Figure 8 shows, many Retail directors are primarily employed by either their current funds or by service providers to their funds; the proportions are substantially higher than those in other sectors.

Figure 8: Percentages of board directors whose primary employer is a fund service provider or the current fund



Apart from being in the paid employment of the service provider, other forms of association for a director include being a director of the service provider and being a shareholder of the provider. Directors of Corporate funds are more likely to have two or more such associations with service providers at the same time. The proportions of trustee directors who have one or more associations with a fund service provider are shown in Figure 9. Directors of Retail funds are more than twice as likely as directors of other funds to have associations with service providers.

Figure 9: Percentage of board directors with one or more associations with a fund service provider



Averaged over 602 directors who supplied data on remuneration paid by trustee boards, directors of Retail funds are generally most well-paid by their trustee boards, with 20 per cent of directors earning greater than \$100,000 per year (Table 12). Their average pay of \$70,000 per year is about double that of directors in other sectors.



Table 12: Distribution of director remuneration by trustee boards

Remuneration (per cent of Directors)	Corporate	Public Sector	Industry	Retail	Total
(Up to \$50,000 p.a.)	88	81	89	57	82
(\$50,000 to \$100,000 p.a.)	10	17	10	23	14
(More than \$100,000 p.a.)	3	2	1	20	5

Averaged over 192 directors who supplied data on remuneration paid by service providers, directors of both Corporate and Retail funds are generally most well-paid by service providers, with 67 per cent to 69 per cent of directors earning greater than \$100,000 per year (Table 13). Their average pay of more than \$200,000 per year is well above that of directors in the other two sectors.

Table 13: Distribution of director remuneration by service providers

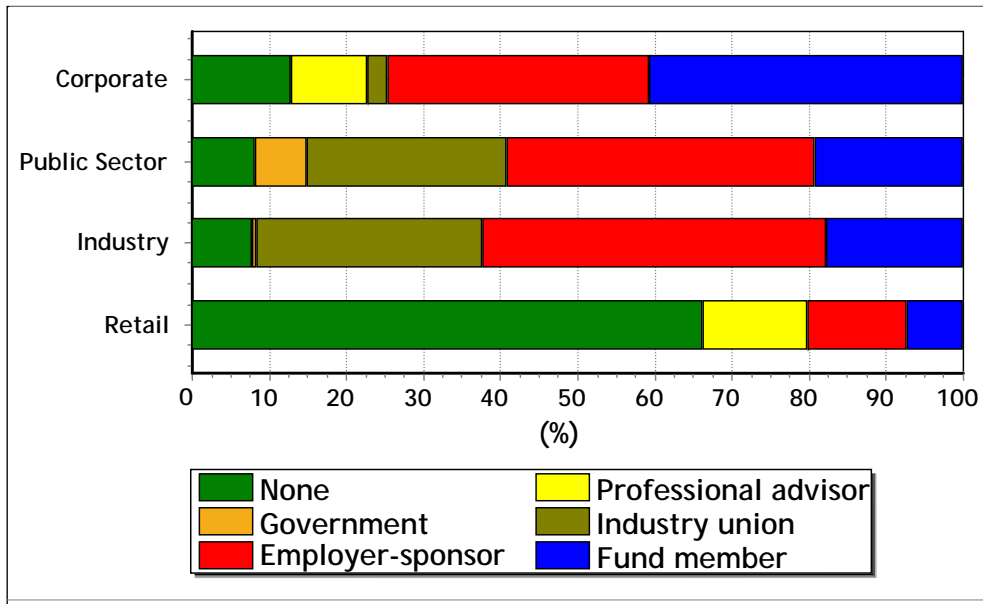
Remuneration (per cent of directors)	Corporate	Public Sector	Industry	Retail	Total
(Up to \$50,000 p.a.)	7	90	91	17	41
(\$50,000 to \$100,000 p.a.)	26	10	7	14	14
(More than \$100,000 p.a.)	67	0	2	69	45

Corporate funds have the highest proportion of directors (75 per cent) representing the two main groups of 'stakeholders', i.e. employer-sponsors (34 per cent) or fund members (41 per cent). This reflects the requirement that the boards of corporate trustees should have equal representations of members and employers. The proportion of directors representing the two main stakeholder groups is 63 per cent for Industry funds, 59 per cent for Public Sector funds and 20 per cent for Retail funds.

The Public Sector and Industry funds have significant numbers of directors representing industry unions or governments, at 33 per cent and 30 per cent respectively. This reflects the historical origins of these types of funds. Direct government involvement at the board level has declined in favour of individual employer-sponsors for many government agencies as the growth of government defined benefit funds has curtailed.

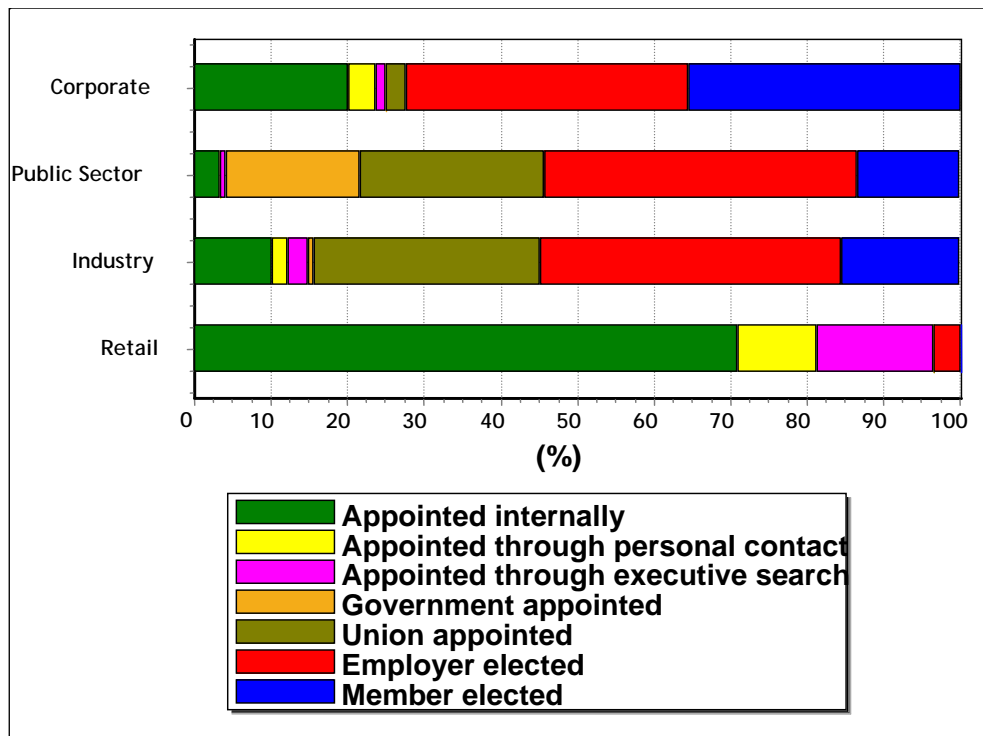
About 10 per cent and 14 per cent, respectively, of directors in Corporate and Retail funds are professional advisors. The remaining 66 per cent of Retail directors do not represent fund members, employer-sponsors or official bodies, as Figure 10 shows. These directors are likely to be employees of their current funds or employees of service providers to their funds.

Figure 10: Percentage composition of the types of representation by board directors



The distribution in methods of appointment of board directors is consistent with the distribution in types of representation. Where there are high levels of representation of employer-sponsors and fund members, the method of appointment of board directors is predominantly election by those stakeholders. In contrast, internal appointments and appointments through personal contacts are commonly found on the boards of Retail funds. Figure 11 shows the composition of methods of appointment.

Figure 11: Percentage composition of the methods of appointment of board directors



'Personal stake' is relevant as a measure of the extent to which interests of directors and fund beneficiaries are aligned. As Table 14 shows, directors in Corporate, Public Sector and Industry funds are more likely than not to be personally investing in the funds they manage, with average participation rates in their funds of 69 per cent, 73 per cent and 62 per cent, respectively. Retail directors, on the other hand, have an average participation rate of 21 per cent.

Furthermore, on average directors of Corporate funds have the highest stakes (63 per cent) of their total personal superannuation in their funds; for those Corporate directors who do invest in their funds, the stakes are 92 per cent. The comparable figures for directors of Public Sector funds are 56 per cent (77 per cent), for Industry funds 44 per cent (71 per cent) and Retail funds 12 per cent (57 per cent) of their own personal superannuation.

**Table 14: Personal stake characteristics of board directors by sector**

Characteristic (per cent)	Corporate	Public Sector	Industry	Retail
Director personally in the fund	69	73	62	21
Av personal super of all directors in the fund	63	56	44	12
Av personal super of only those who do invest	92	77	71	57
Av family member of director in the fund	8	17	32	15

On average, 32 per cent of family members of directors of Industry funds are also members of their superannuation funds. Family membership of Corporate funds is the lowest at 8 per cent. In general, family members of directors of Corporate and Public Sector funds cannot participate in their funds unless they also work for the same employer. Corporate and Public Sector funds are usually non-public offer funds. About one-third of the Industry funds (18 funds) and all Retail funds (76 funds) in the survey are public offer funds, in which family members and others can participate.

Industry funds have on average 0.32 family members per director in the fund, given that there are 157 family members for 498 directors. This number rises to 0.95 when adjusted for the fact only about one-third of the directors is from public offer funds. Retail funds have on average 0.15 family members per director in the fund, given that there are 60 family members for 389 directors. This suggests that directors of public offer Industry funds are about six times more likely than Retail fund directors to have family members in their funds.

#### 4. Summary of findings

Despite minimal formal requirements by trustee boards, directors are generally well qualified, with 65 per cent having university degrees. They are likely to be in their 50s and have on average several years of trustee or investment experience, with 56 per cent having five years or more experience. Directors of Public Sector and Industry funds are generally a few years older and more experienced than directors of Corporate and Retail funds.

The effort expended by directors in running their funds ranges from 559 director hours per fund per year for the average Retail fund to 1,364 director hours for the average Industry fund. Retail directors hold on average seven other simultaneous directorships, well above the next highest at 2.4 simultaneous directorships held by directors of Industry funds.

Most boards (76 per cent) have both independent audit and regular self-assessment to review compliance with the SIS Act and other regulations. They place high priorities and spend high percentages of their time (averaging 23 per cent) to ensure compliance with legislation and regulation. Soft dollar arrangements are apparently in common use in the industry, although 41 per cent of funds have formal policies to forbid their use.

Asset consultants have the main input to more than half of the key decisions of Corporate, Public Sector and Industry funds, with the trustees having the main influence in the other key decisions. Executives provide the main input to all key decisions of Retail funds, except for administrator selection where the trustees provide the main input.

Service providers are widely used in the superannuation industry, with the average fund using more than 13 service providers. About 55 per cent of the service providers are investment managers. In more than half of the cases, fees to service providers are not explicitly disclosed in financial accounts, but are implicitly charged through lower returns to the funds.

Directors of Corporate, Public Sector and Industry funds are more likely to hold jobs as employees and managers. Retail directors are mainly (93 per cent) senior executives and directors, whose primary employers are often (33 per cent) service providers. Over 60 per cent of Retail directors have one or more associations with service providers. This is more than twice as frequent as directors of Corporate funds and about three times as frequent as those of Public Sector or Industry funds.

Directors of Corporate, Public Sector and Industry funds are largely (59 per cent to 75 per cent) drawn from stakeholders such as employer-sponsors and fund members, and to a lesser extent (3 per cent to 33 per cent) from industrial unions and government. In contrast, only 20 per cent of Retail directors are drawn from particular stakeholders or official bodies, a majority (66 per cent) representing none of those interests.

Public Sector funds have 97 per cent of their directors appointed from outside the board by employer-sponsors, fund members, industrial unions or government or through executive search firms. Industry and Corporate funds follow at 88 per cent and 76 per cent, respectively. However, only 19 per cent of directors of Retail funds are appointed from outside the board, with 4 per cent being elected by employer-sponsors and 15 per cent through executive search firms. The remaining 81 per cent of appointments are made internally by the board or through personal contacts.

Board remuneration of Retail directors is typically double that of directors in other sectors. Directors of Corporate and Retail funds can receive substantial regular payments (greater than \$200,000 on average) from service providers, who may be primary employers of those directors. These payments from service providers are well in excess of similar payments to directors in other sectors.

Directors of Corporate, Public Sector and Industry funds are more likely (62 per cent to 73 per cent) to invest their personal superannuation in their own funds than directors of Retail funds (21 per cent). When these directors do have personal stakes in their funds, their investments as a percentage of their total superannuation are more substantial (71 per cent to 92 per cent) than those of directors in Retail funds (57 per cent). Among public offer funds, directors of Industry funds are six times more likely than directors of Retail funds to have family members in their funds.

To sum up, this paper provides a detailed study of superannuation fund governance in Australia. The results show some systematic and statistically significant differences in trustee governance practices between sectors.

Research is underway to study the relationship between fund governance by trustees and investment performance of funds by linking the findings of the Superannuation Trustee survey with the results of the complementary Investment Performance survey.

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Coleman, A. D. F., Esho N., and Wong, M. (2006): "The Impact of Agency Costs on the Investment Performance of Australian Pension Funds", *Journal of Pension Economics and Finance* Vol. 5, No. 3, pp.299-324.

## Acknowledgement

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## Attachment: Summary Tables of Survey Responses And Analyses of Statistical Significance

The survey responses are published in a summary form in this section. The survey has seven questionnaire tables, with several questions posed in each table. As nearly all questions are posed in a multiple-choice form, the survey results are tabulated here as frequency counts to available choices for each question.

Except for the general information questionnaire table where we have added other information for convenience, the results of each questionnaire table are presented in a separate section. The results of each question for a given table are presented as frequency counts of available answers analysed by sector classification.

Unless otherwise stated in the preamble of each questionnaire table, the responses provided are full and complete for the table. For ease of reading, the survey responses are presented in summary tables with only asterisks to indicate statistical significance. Details of statistical analyses are presented separately in appendices.

Statistical significance for each question with respect to sector differences is indicated by a single asterisk \*, two and three asterisks: \*\* and \*\*\* are 5%, 1% and 0.1% significance levels respectively. No asterisk(s) for a question indicates the null hypothesis that differences across sectors are insignificant with a greater than 5% probability that the observation is due to chance or sampling error.

Pearson's Chi-square test is used for count data. Frequency counts are first converted to percentages for each sector. Then a particular response for each question is then compared in percentage terms across the sectors to test for statistical significance. The null hypothesis is the percentages are the same across sectors within statistical fluctuations. The test is assumed invalid for a response with a small sample size if there are less than 20 counts or an average 5 counts across the sectors.

One-way ANOVA F-test is used for numeric data to reject the null hypothesis which is insignificant differences in the means given numeric distributions of the responses. The truncated numerical responses used to treat outlier answers are interpreted numerically as follows: Less than 1, More than 10, More than 15 and More than 20 are given the values 0, 13, 20 and 25 respectively.

It is important to note that most questions in the questionnaire are "multiple choice" and there are no "multiple select" questions. A "multiple choice" question accepts one and only one choice from a menu of choices, whereas a "multiple select" question accepts an unknown number of choices, creating ambiguities in the process.

## Summary Tables of Survey Responses

The answers on the General Information table submitted by the funds in the survey are supplemented by data from other questionnaire tables and other sources to provide the following overview of the survey population.

### Questionnaire Table 1: General Information

#### T1Q1: Survey data sample coverage

<i>Sample</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>Total</i>
Number of Funds	40	16	55	76	187
Assets (\$billion, June 2006)	43	52	150	268	513
Number of Members (million)	0.38	0.86	9.55	9.35	20.14
Number of Directors	312	120	498	389	1319
Number of Service Providers	492	328	1242	513	2575

#### T1Q2: Fund asset size distribution

<i>Assets (\$billion)</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>Total</i>
Large (> 2)	5	8	19	31	63
Medium (0.5 to 2)	18	7	21	28	74
Small (< 0.5)	17	1	15	17	50

#### T1Q3: Fund type distribution

<i>Fund Type</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>Total</i>
Defined benefit	5	3	2	0	10
Defined contribution	5	3	42	64	114
Hybrid	30	10	11	12	63

#### T1Q4: Number of financial years the fund has reported to APRA

<i>Number of Years Reported to APRA</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>Total</i>
1	0	0	0	0	0
2	0	0	0	1	1
3	0	0	0	5	5
4	2	0	0	2	4
5	1	0	2	4	7
6	2	0	1	2	5
7	0	1	0	6	7
8	15	7	20	20	62
More than 8	20	8	32	36	96

## Questionnaire Table 2: Board Policy and Practice

Questionnaire Table 2 contains 17 questions to which each fund provides multiple choice answers. The distribution of multiple choice answers are counted and analysed here according to sector classification. The total column counts for the Corporate, Public Sector, Industry and Retail sectors in each answer table are respectively 40, 16, 55 and 76, adding up to 187 funds in total.

T2Q1\*\*\*: What is the current number of board directors?

<i>Number of Directors</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>Total</i>
1-2	0	0	0	0	0
3	1	0	1	0	2
4	5	0	1	29	35
5	3	1	2	32	38
6	5	3	7	7	22
7	3	6	5	5	19
8	7	5	14	1	27
9	2	1	10	1	14
10	10	0	5	1	16
11	1	0	0	0	1
12	2	0	4	0	6
13	1	0	1	0	2
14	0	0	3	0	3
15	0	0	0	0	0
16	0	0	1	0	1
17	0	0	1	0	1
18-20	0	0	0	0	0
More than 20	0	0	0	0	0

T2Q2: What formal educational qualification is required of a director?

<i>Educational Qualification</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>Total</i>
University degree required	4	0	0	6	10
Tertiary qualification required	0	0	1	5	6
No formal requirement	36	16	54	65	171

T2Q3\*\*\*: How many years of superannuation or investment experience are required of a director?

<i>Years of Experience Required</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>Total</i>
0	32	16	55	49	152
1	0	0	0	0	0
2	0	0	0	3	3
3	0	0	0	2	2
4	0	0	0	0	0
5	3	0	0	18	21
6-9	0	0	0	0	0
10	5	0	0	4	9



T2Q4: What formal trustee training is required of a director?

<i>Formal Trustee Training Required</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>Total</i>
Formal training to full ASIC PS146 competency is required***	8	0	13	0	21
Some formal training is required	25	13	36	53	127
Formal training is encouraged but not required	4	3	4	14	25
No formal training is required	3	0	2	9	14

T2Q5: What limit exists on the number of years a director can serve on the board?

<i>Service Limit on Current Board (Years)</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>Total</i>
1	0	0	0	0	0
2	0	0	1	0	1
3	0	2	2	1	5
4	1	0	1	0	2
5	1	0	1	0	2
6	0	0	1	0	1
7-8	0	0	0	0	0
9	1	0	1	3	5
No formal limit subject to re-election	37	14	48	72	171

T2Q6: What limit exists on the number of simultaneous directorships held by a director?

<i>Limit on Simultaneous Directorships</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>Total</i>
No formal limit	40	16	55	76	187

T2Q7: What is the frequency of performance review of individual directors?

<i>Director Review</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>Total</i>
Yearly***	30	6	31	65	132
Every two years	2	0	4	0	6
Every three years	0	1	2	0	3
No regular review***	8	9	18	11	46

T2Q8\*\*: What is the average number of board meetings per year?

<i>Board Meetings pa</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>Total</i>
1-3	0	0	0	0	0
4	15	1	8	8	32
5	3	1	5	15	24
6	3	1	15	8	27
7	6	1	6	7	20
8	4	3	3	5	15
9	1	0	2	0	3
10	4	2	5	6	17
11	0	4	6	5	15
12	3	3	3	16	25
13	0	0	1	0	1
14	0	0	0	0	0
15	0	0	1	0	1
16	1	0	0	0	1
17-19	0	0	0	0	0
20	0	0	0	2	2
More than 20	0	0	0	4	4

T2Q9\*: In addition to board meetings, what is the average number of sub-committee meetings per year?

<i>Sub-Committee Meetings pa</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>Total</i>
0	7	0	1	17	25
1	0	0	0	1	1
2	1	0	0	0	1
3	0	0	0	1	1
4	1	2	5	6	14
5	1	0	1	2	4
6	4	0	5	2	11
7	1	2	3	1	7
8	2	0	2	8	12
9	1	0	2	0	3
10	0	1	2	4	7
11	0	0	0	1	1
12	2	0	4	11	17
13	0	1	0	0	1
14	0	3	2	0	5
15	1	0	2	1	4
16	4	0	4	3	11
17	0	0	1	0	1
18	3	2	2	0	7
19	0	1	0	0	1
20	0	0	4	1	5
More than 20	12	4	15	17	48

T2Q10\*\*\*: What is the average duration (in hours) of a board meeting?

<i>Board Meeting Duration (Hours)</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>Total</i>
1	0	0	0	17	17
1.5	4	0	0	7	11
2	2	0	2	21	25
2.5	4	1	1	11	17
3	8	3	6	10	27
3.5	3	3	5	0	11
4	6	3	11	0	20
4.5	2	0	7	0	9
5	4	1	6	9	20
5.5	0	0	1	0	1
6	3	4	7	0	14
6.5	1	0	2	0	3
7	2	0	3	1	6
7.5	0	0	1	0	1
8	1	1	2	0	4
8.5-9.5	0	0	0	0	0
10	0	0	1	0	1
More than 10	0	0	0	0	0

T2Q11: What is the policy on review of compliance with SIS and other regulations?

<i>Policy on Compliance Review</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>Total</i>
Annual independent audit	2	1	5	12	20
Regular documented self assessment**	7	0	6	9	22
Both independent audit and regular self assessment	30	15	44	53	142
Review as need arises	1	0	0	2	3

T2Q12\*\*\*: What is the number of service providers currently used by the fund?

<i>Number of Service Providers</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>Total</i>
0-1	0	0	0	0	0
2	0	0	0	3	3
3	1	0	1	13	15
4	0	0	1	9	10
5	5	0	0	10	15
6	5	1	3	8	17
7	5	2	2	17	26
8	5	0	1	1	7
9	2	0	1	5	8
10	0	0	3	1	4
11-15	5	4	11	4	24
16-20	8	0	6	4	18
21-25	0	2	8	1	11
26-30	3	5	4	0	12
31-40	0	2	8	0	10
41-50	0	0	2	0	2
51-60	1	0	1	0	2
61-70	0	0	3	0	3
More than 70	0	0	0	0	0

T2Q13: What is the policy on related party service providers?

<i>Policy on Related Party Service Providers</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>Total</i>
Formal policy on arms length dealing and documentation	25	11	40	66	142
Informal policy of Chinese walls**	2	3	3	6	14
No specified policy***	13	2	12	4	31

T2Q14: What is the policy on director associations with fund service providers?

<i>Policy on Director Associations with Service providers</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>Total</i>
Formal policy to manage potential conflicts of interest including disciplinary action	35	14	44	75	168
Informal policy of registering paid work	0	0	3	0	3
No specified policy	5	2	8	1	16

T2Q15: What is the policy on "soft dollar" arrangements?

<i>Policy on Soft Dollar Arrangements</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>Total</i>
Formal policy to forbid the use of soft dollar arrangements*	15	6	15	41	77
Informal policy to discourage the use of soft dollar arrangements***	8	3	21	10	42
Soft dollar arrangements are permitted and/or currently in use	1	2	2	14	19
No specified policy**	16	5	17	11	49

T2Q16: How many times have discussions or declarations of actual or potential conflicts of interest, by persons other than directors, been minuted in the past three years?

<i>Conflicts of Interest Frequency (Other than directors in 3 Years)</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>Total</i>
0	29	9	42	51	131
1	3	3	7	1	14
2	0	1	0	8	9
3	1	0	1	4	6
4	1	1	1	3	6
5	1	0	0	1	2
6	0	0	1	0	1
7	1	0	0	0	1
8	0	0	0	1	1
9-10	0	0	0	0	0
More than 10	4	2	3	7	16

T2Q17: How many times have discussions or declarations of actual or potential conflicts of interest, by directors, been minuted in the past three years?

<i>Conflicts of Interest Frequency (Directors in 3 Years)</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>Total</i>
0	7	0	9	17	33
1	5	3	5	6	19
2	1	0	9	0	10
3	3	1	4	10	18
4	4	0	2	3	9
5	1	0	3	1	5
6	2	2	2	5	11
7	1	0	0	3	4
8	0	1	1	0	2
9	0	0	0	1	1
10	2	0	1	2	5
More than 10	14	9	19	28	70

### Questionnaire Table 3: Board Priorities

T3Q1: Priority rank (1 to 10) averaged over all funds in each sector and in total:

<i>Key Task</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>Total</i>
Determining and implementing the fund's asset allocation***	3.7	3.1	3.2	6.4	4.6
Selecting and assessing investment managers	5.8	5.2	5.4	4.9	5.3
Selecting and assessing the administrator	5.5	5.8	5.4	5.1	5.3
Selecting and assessing asset consultants***	7.4	6.9	6.5	8.4	7.5
Reviewing and assessing the fund's investment performance	3.5	4.4	3.8	3.8	3.8
Assessing quality of member services/needs of members	5.4	4.3	4.7	4.4	4.7
Communicating and making presentations to employer-sponsors, members or advisors**	7.1	8.3	8.6	7.6	7.8
Assessing the fund's competitiveness (on fees, product offering etc)***	8.4	6.6	6.9	6.4	7.0
Ensuring compliance with legislation and regulation***	1.6	3.4	2.3	1.4	1.9
Other (including insurance claims, consulting with actuaries and auditors and other board tasks)**	6.5	7.0	8.2	6.7	7.1

T3Q2: Time taken (%) averaged over all funds in each sector and in total:

<i>Key Task</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>Total</i>
Determining and implementing the fund's asset allocation***	7.6	11.3	10.2	5.6	7.9
Selecting and assessing investment managers*	7.3	10.7	10.2	8.1	8.8
Selecting and assessing the administrator	8.0	8.8	7.7	8.2	8.1
Selecting and assessing asset consultants	4.7	4.2	5.1	3.6	4.3
Reviewing and assessing the fund's investment performance*	13.8	14.7	15.4	12.2	13.7
Assessing quality of member services/needs of members**	7.5	11.4	10.9	11.6	10.5
Communicating and making presentations to employer-sponsors, members or advisors	6.5	4.4	4.8	5.5	5.4
Assessing the fund's competitiveness (on fees, product offering etc)	5.2	7.1	7.1	6.9	6.6
Ensuring compliance with legislation and regulation***	23.2	14.4	17.5	28.7	23.0
Other (including insurance claims, consulting with actuaries and auditors and other board tasks)***	16.2	13.1	11.0	9.5	11.7

### Questionnaire Table 4: Key Decision Input

In tables T4Q1 to T4Q5, the highest percentage inputs of the key decision makers are shown in bold type for ease of reading. Percentages may not sum exactly to 100% due to rounding.

T4Q1: The inputs as percentages of each key decision are averaged over all *Corporate* funds.

<i>Key Decision</i>	<i>Trustee</i>	<i>Executives</i>	<i>Consultants</i>	<i>Employer-Sponsor</i>	<i>Other</i>
Objectives & risk tolerance	<b>45</b>	13	29	10	2
Strategic asset allocation	37	10	<b>43</b>	7	2
Benchmark design	32	10	<b>53</b>	2	3
Investment manager selection	32	10	<b>54</b>	1	2
Performance monitoring	37	13	<b>46</b>	1	4
Introducing a new option	<b>39</b>	20	31	8	3
Default option asset allocation	<b>43</b>	14	36	4	2
Asset consultant selection	<b>66</b>	18	7	4	5
Administrator selection	<b>64</b>	19	8	6	3
Foreign exchange hedging policy	35	7	<b>50</b>	4	4
Average of all key decisions	<b>43</b>	13	36	5	3

T4Q2: The inputs as percentages of each key decision are averaged over all *Public Sector* funds.

<i>Key Decision</i>	<i>Trustee</i>	<i>Executives</i>	<i>Consultants</i>	<i>Employer-Sponsor</i>	<i>Other</i>
Objectives & risk tolerance	31	20	<b>43</b>	1	5
Strategic asset allocation	24	14	<b>61</b>	0	2
Benchmark design	14	18	<b>67</b>	0	2
Investment manager selection	27	21	<b>49</b>	0	4
Performance monitoring	18	27	<b>48</b>	0	7
Introducing a new option	22	<b>44</b>	27	2	4
Default option asset allocation	26	33	<b>37</b>	0	4
Asset consultant selection	<b>55</b>	39	0	0	6
Administrator selection	<b>51</b>	13	4	13	19
Foreign exchange hedging policy	16	28	<b>52</b>	0	5
Average of all key decisions	28	26	<b>39</b>	2	6

T4Q3: The inputs as percentages of each key decision are averaged over all *Industry* funds.

<i>Key Decision</i>	<i>Trustee</i>	<i>Executives</i>	<i>Consultants</i>	<i>Employer-Sponsor</i>	<i>Other</i>
Objectives & risk tolerance	44	24	31	0	0
Strategic asset allocation	35	18	47	0	0
Benchmark design	27	22	51	0	0
Investment manager selection	33	19	48	0	0
Performance monitoring	30	25	44	0	1
Introducing a new option	41	32	26	0	0
Default option asset allocation	39	19	41	0	0
Asset consultant selection	59	32	9	0	0
Administrator selection	59	29	11	0	0
Foreign exchange hedging policy	30	15	54	0	0
Average of all key decisions	40	24	36	0	0

T4Q4: The inputs as percentages of each key decision are averaged over all *Retail* funds.

<i>Key Decision</i>	<i>Trustee</i>	<i>Executives</i>	<i>Consultants</i>	<i>Employer-Sponsor</i>	<i>Other</i>
Objectives & risk tolerance	38	38	14	2	9
Strategic asset allocation	25	42	21	2	10
Benchmark design	28	35	23	3	12
Investment manager selection	18	48	26	2	7
Performance monitoring	24	48	20	3	6
Introducing a new option	19	53	17	3	8
Default option asset allocation	22	53	14	4	7
Asset consultant selection	32	43	6	2	17
Administrator selection	45	39	5	2	9
Foreign exchange hedging policy	22	45	18	3	13
Average of all key decisions	27	44	16	3	10



T4Q5: The inputs as percentages of each key decision are averaged over all funds.

<i>Key Decision</i>	<i>Trustee</i>	<i>Executives</i>	<i>Consultants</i>	<i>Employer-Sponsor</i>	<i>Other</i>
Objectives & risk tolerance	40	27	25	3	5
Strategic asset allocation	30	25	37	2	5
Benchmark design	27	24	41	1	6
Investment manager selection	26	29	40	1	4
Performance monitoring	28	32	35	1	4
Introducing a new option	30	39	24	3	4
Default option asset allocation	32	33	29	3	4
Asset consultant selection	49	34	7	2	8
Administrator selection	54	30	7	3	6
Foreign exchange hedging policy	27	27	38	2	6
Average of all key decisions	34	30	28	2	5

T4Q6: Average percentages of inputs over all key decisions analysed by decision makers and sectors.

<i>Decision Maker</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>Total</i>
Trustee	43	28	40	27	34
Executives***	13	26	24	44	30
Consultants*	36	39	36	16	28
Employer-Sponsor	5	2	0	3	2
Other	3	6	0	10	5

### Questionnaire Table 5: Service Providers

For this questionnaire table on service providers, the total column counts for the Corporate, Public Sector, Industry and Retail sectors in each answer table are respectively 492, 328, 1242 and 513, adding up to 2575 in total for the numbers of service providers.

Note that some retail funds did not supply full lists of their service providers available on their platforms or master trusts.

T5Q1: Type of function provided to the fund

<i>Function Provided</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>Total</i>
Administration	46	12	62	60	180
Custody	20	14	43	66	143
Insurance	36	14	82	82	214
Investment policy and strategy formulation	8	9	17	4	38
Investment: Australian listed equity	58	57	186	27	328
Investment: International listed equity	55	55	156	16	282
Investment: Australian fixed interest	18	14	58	7	97
Investment: International fixed interest	18	13	44	7	82
Investment: Australian listed property	8	9	31	7	55
Investment: Australian direct property	19	14	62	1	96
Investment: Cash instruments	12	10	43	16	81
Investment: Multiple asset classes	12	9	40	31	92
Investment: Multiple funds	1	5	10	15	31
Investment: Other (hedge fund etc)	28	32	160	8	228
Asset consulting	27	8	47	22	104
Implemented consulting	10	1	7	4	22
Actuarial service	40	12	22	18	92
Auditing	40	20	72	69	201
Legal service	36	14	80	41	171
Sales and marketing	0	5	20	12	37

T5Q2\*\*\*: % of the type of fund function provided

<i>Percent of Function Provided</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>Total</i>
0%	0	1	59	4	64
1% to 10%	73	64	440	53	630
11% to 20%	43	51	120	18	232
21% to 30%	24	23	89	39	175
31% to 40%	30	6	52	14	102
41% to 50%	18	18	52	16	104
51% to 60%	4	6	14	4	28
61% to 70%	7	1	16	6	30
71% top 80%	2	3	17	6	28
81% to 90%	10	5	19	9	43
91% to 99%	13	4	27	13	57
100%	268	146	337	331	1082

T5Q3\*\*\*: Number of years employed by the fund

<i>Years Service Provider Employed</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>Total</i>
Less than 1	24	35	136	18	213
1	54	49	181	78	362
2	84	62	136	49	331
3	49	32	139	47	267
4	36	20	109	49	214
5	37	24	117	23	201
6	28	20	75	51	174
7	18	7	48	27	100
8	30	14	58	36	138
9	2	17	30	17	66
10	31	9	65	16	121
11	10	4	24	14	52
12	4	6	28	1	39
13	3	2	13	0	18
14	7	1	9	7	24
15	15	7	12	2	36
16	4	9	7	3	23
17	0	0	4	4	8
18	0	2	8	2	12
19	6	0	18	0	24
20	8	0	5	7	20
More than 20	42	8	18	62	130

T5Q4: Entity relationship to the fund

<i>Service Provider Relationship to the Fund</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>Total</i>
Provider is the parent company of the trustee***	25	0	0	86	111
Provider and trustee have common parent company***	25	0	4	105	134
Provider is a wholly owned subsidiary of the trustee	0	0	7	0	7
Two of the above	1	0	0	0	1
No relationship	433	308	1161	313	2215
Other relationship*	8	20	70	9	107

T5Q5: Associations with board directors

<i>Service Provider Association with Board Directors</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>Total</i>
Provider has trustee director(s) in paid employment***	32	0	4	51	87
Provider and trustee have common director(s)	12	13	44	51	120
Shareholders of the provider include trustee director(s)	2	2	5	0	9
Two of the above***	2	0	4	61	67
All of the above	0	0	2	4	6
None of the above	443	313	1183	346	2285

T5Q6\*\*\*: Asset based fee (% of asset serviced pa)

<i>Fee (% of Assets pa)</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>Total</i>
0%	264	112	514	344	1234
0.01% to 0.1%	36	27	124	35	222
0.11% to 0.2%	31	15	63	11	120
0.21% to 0.3%	11	23	51	16	101
0.31% to 0.4%	24	31	58	18	131
0.41% to 0.5%	30	37	80	11	158
0.51% to 0.6%	19	23	87	27	156
0.61% to 0.7%	21	19	55	10	105
0.71% to 0.8%	8	6	58	5	77
0.81% to 0.9%	9	6	33	6	54
0.91% to 1.0%	14	16	47	11	88
1.01% to 1.2%	5	4	22	3	34
1.21% to 1.4%	3	5	13	4	25
1.41% to 1.6%	4	2	11	3	20
1.61% to 1.8%	2	0	5	4	11
1.81% to 2.0%	7	0	3	2	12
2.01% to 3.0%	2	0	5	3	10
More than 3%	1	2	13	0	16

T5Q7: Flat dollar fee (dollars pa)

<i>Fee (dollars pa)</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>Total</i>
0	308	215	760	353	1636
Less than 1K	2	0	9	6	17
1K to 10K	5	2	28	11	46
10K to 100K	66	27	125	62	280
100K to 1M	81	59	219	42	401
1M to 10M	30	23	76	27	156
More than 10M	0	2	25	12	39

T5Q8: Method of Fee Disclosure

<i>Method of Fee Disclosure</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>Total</i>
Explicit statement in accounts	175	81	276	118	650
Implicit charge on returns***	212	233	705	139	1289
Stated in PDS fee table***	105	14	260	252	631
No fee or not disclosed	0	0	1	4	5

### Questionnaire Table 6: Board Directors

Note some board directors did not submit responses to questions T6Q13-T6Q15 citing privacy laws. The percentage compliance was 13%, 82%, 71% and 29% for Corporate, Public Sector, Industry and Retail sector respectively. In the case of numeric fields blanks are taken to be zeros, which are excluded in the analysis of statistical significance.

T6Q1\*\*\*: Director Age

<i>Age</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>Total</i>
Less than 31	0	0	1	3	4
31 to 35	11	1	8	4	24
36 to 40	32	3	32	41	108
41 to 45	58	8	46	68	180
46 to 50	56	18	70	84	228
51 to 55	66	26	92	61	245
56 to 60	53	24	105	58	240
61 to 65	21	26	77	35	159
66 to 70	11	10	46	27	94
More than 70	4	4	21	8	37

T6Q2\*\*\*: Years as director of current board

<i>Years on Current Board</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>Total</i>
Less than 1	36	9	44	79	168
1	31	5	50	53	139
2	68	15	53	60	196
3	29	11	37	51	128
4	25	7	40	28	100
5	39	7	38	32	116
6	20	13	35	15	83
7	19	7	25	13	64
8	11	15	16	8	50
9	4	8	20	4	36
10	5	6	17	4	32
11	3	2	29	11	45
12	7	3	20	9	39
13	3	3	11	2	19
14	4	1	9	3	17
15	2	3	5	0	10
16	0	1	8	5	14
17	0	1	5	9	15
18	1	0	15	0	16
19	3	0	9	3	15
20	0	0	3	0	3
More than 20	2	3	9	0	14

T6Q3\*\*\*: Years of experience on boards of super trustees

<i>Years of Experience as Trustee Director</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>Total</i>
Less than 1	27	4	29	53	113
1	23	6	41	35	105
2	58	9	40	47	154
3	24	10	30	43	107
4	25	7	32	35	99
5	35	5	30	27	97
6	11	15	35	17	78
7	22	9	21	19	71
8	16	12	17	21	66
9	4	8	27	6	45
10	9	9	24	10	52
11	10	5	28	14	57
12	9	3	23	16	51
13	6	1	12	2	21
14	7	2	15	9	33
15	4	2	14	1	21
16	3	0	8	7	18
17	1	1	8	13	23
18	1	1	19	1	22
19	5	0	12	3	20
20	1	1	9	4	15
More than 20	11	10	24	6	51

T6Q4: Category of primary employer

<i>Primary Employer of Director</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>Total</i>
Current fund***	17	3	16	98	134
Other super trustee**	5	0	9	29	43
Self employed director**	24	38	124	109	295
Employer sponsor***	223	48	201	24	496
Industry union***	0	17	129	2	148
Government agency***	0	13	16	0	29
A fund service provider***	43	1	3	127	174

T6Q5: Job type with primary employer

<i>Job Type with Primary Employer</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>Total</i>
Director**	42	32	94	141	309
Senior Executive	101	31	178	155	465
Manager***	84	11	57	26	178
Employee***	67	20	80	2	169
Self employed*	18	26	89	65	198

T6Q6: Type of board representation

<i>Type of Board Representation</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>Total</i>
Fund member***	127	23	88	28	266
Industry union***	8	31	146	0	185
Employer sponsor***	106	48	222	50	426
Government	0	8	3	0	11
Professional advisor***	31	0	0	53	84
None of the above***	40	10	39	258	347

T6Q7: Method of appointment to the board

<i>Method of Appointment</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>Total</i>
Member elected***	111	16	77	0	204
Employer elected***	115	49	196	14	374
Government appointed***	0	21	4	0	25
Union appointed***	8	29	147	0	184
Appointed internally***	63	4	51	276	394
Appointed through executive search***	4	1	13	59	77
Appointed through personal contact***	11	0	10	40	61

T6Q8\*\*\*: Number of other directorships currently held

<i>Other Directorships Currently Held</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>Total</i>
0	185	35	187	45	452
1	43	32	90	47	212
2	26	23	70	24	143
3	14	10	47	43	114
4	17	5	31	34	87
5	7	9	15	34	65
6	3	2	15	19	39
7	2	3	7	11	23
8	0	0	7	9	16
9	0	0	4	20	24
10	1	0	7	9	17
11	1	0	0	7	8
12	0	0	2	7	9
13	3	0	1	4	8
14	0	0	1	12	13
15	0	0	3	4	7
More than 15	10	1	11	60	82

T6Q9\*\*\*: Number of hours spent per year on fund matters outside board meetings

<i>Hours Spent pa Outside Board Meetings</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>Total</i>
Less than 20	79	7	28	66	180
20 to 49	92	7	76	82	257
50 to 99	70	44	126	123	363
100 to 149	28	21	102	37	188
150 to 200	19	14	69	12	114
More than 200	24	27	97	69	217

T6Q10: Highest tertiary qualification

<i>Highest Tertiary Qualification</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>Total</i>
Doctorate degree	12	0	14	3	29
Masters degree*	56	10	57	90	213
Graduate diploma	40	15	48	28	131
Bachelors degree	94	47	184	161	486
TAFE degree	5	1	8	0	14
TAFE certificate	19	10	29	0	58
Professional qualification	55	17	75	95	242
No tertiary qualification*	31	20	83	12	146

T6Q11\*\*\*: Number of active memberships of professional bodies

<i>Active Memberships of Professional Bodies</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>Total</i>
0	108	32	136	66	342
1	102	30	128	123	383
2	62	34	123	88	307
3	30	13	72	75	190
4	7	8	20	31	66
5	1	1	10	0	12
6	1	1	4	2	8
7	0	0	2	3	5
8	0	0	1	0	1
9	0	1	0	0	1
10	0	0	2	0	2
11-15	0	0	0	0	0
More than 15	1	0	0	1	2

T6Q12: Trustee related training completed

<i>Trustee Training Completed</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>Total</i>
Full ASIC PS146 competency training*	62	22	155	45	284
Formal courses by accredited institutions	70	46	137	105	358
20 to 50 hours formal training	84	28	146	115	373
Less than 20 hours formal training***	93	17	42	113	265
No formal training	3	7	18	11	39



T6Q13\*\*\* Remuneration (exclude expenses) from trustee (dollars pa)

Statistical significance is analysed for distributions with non-zero remuneration only.

<i>Remuneration (dollar pa)</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>Total</i>
0	272	22	146	277	717
0 to 10K	11	3	70	0	84
10K to 20K	3	10	76	10	99
20K to 30K	7	31	76	14	128
30K to 40K	10	19	57	25	111
40K to 50K	4	16	34	15	69
50K to 75K	4	11	30	18	63
75K to 100K	0	6	6	8	20
100K to 200K	1	2	2	20	25
200K to 500K	0	0	1	1	2
500K to 1M	0	0	0	1	1

T6Q14\*\*\*: % of directors super invested in this fund

<i>Director's Super Invested in the Fund</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>Total</i>
0%	98	33	188	308	627
1% to 5%	4	7	25	15	51
6% to 10%	1	8	40	7	56
11% to 15%	0	3	4	1	8
16% to 20%	1	1	3	9	14
21% to 25%	4	0	8	0	12
26% to 30%	2	0	5	0	7
31% to 35%	0	2	2	0	4
36% to 40%	3	0	1	5	9
41% to 45%	1	0	1	0	2
46% to 50%	3	1	11	3	18
51% to 55%	0	0	1	0	1
56% to 60%	1	1	4	1	7
61% to 65%	2	1	1	0	4
66% to 70%	3	0	1	0	4
71% to 75%	1	0	3	1	5
76% to 80%	0	1	3	0	4
81% to 85%	1	0	2	0	3
86% to 90%	2	1	4	2	9
91% to 95%	3	1	11	2	17
96% to 99%	2	1	2	0	5
100%	180	59	178	35	452

T6Q15\*: Number of family members also invested in this fund

<i>Family Members Invested in the Fund</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>Total</i>
0	289	103	382	361	1135
1	21	15	90	13	139
2	2	1	16	3	22
3	0	1	9	9	19
4	0	0	0	1	1
5	0	0	0	2	2
6	0	0	0	0	0
7	0	0	0	0	0
8	0	0	1	0	1
9-15	0	0	0	0	0
More than 15	0	0	0	0	0

### Questionnaire Table 7: Director Associations

For this questionnaire table, the total column counts for the Corporate, Public Sector, Industry and Retail sectors in each answer table are respectively 90, 26, 112 and 234, adding up to 462 director associations in total.

In tables T7Q2 and T7Q3 statistical significance is analysed for distributions with positive values only.

T7Q1: Type of association to the provider

<i>Type of Director Association to Service Provider</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>Total</i>
Director is in paid employment by the provider***	26	0	11	65	102
Director is also a director of the provider***	6	20	81	109	216
Director is a shareholder of the provider	3	4	1	0	8
Two of the above***	38	0	1	40	79
All of the above	8	0	1	8	17
Other	9	2	17	12	40

T7Q2\*\*\*: Regular remuneration by the provider (dollars pa)

<i>Regular Remuneration (dollar pa)</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>Total</i>
0	63	6	66	135	270
0 to 25K	2	6	22	0	30
25K to 50K	0	12	20	17	49
50K to 75K	6	0	2	11	19
75K to 100K	1	2	1	3	7
100K to 200K	5	0	1	16	22
200K to 500K	10	0	0	41	51
500K to 1M	3	0	0	11	14

T7Q3\*\*: Non-ongoing fees or commissions (dollars in last 12 months)

<i>Non-regular Fees (dollar pa)</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>Total</i>
0	89	26	111	217	443
0 to 25K	0	0	1	0	1
25K to 50K	0	0	0	0	0
50K to 75K	0	0	0	0	0
75K to 100K	0	0	0	0	0
100K to 200K	1	0	0	4	5
200K to 500K	0	0	0	6	6
500K to 1M	0	0	0	6	6
1M to 2M	0	0	0	1	1

## Analysis of Statistical Significance of Sector Differences for Count Data

Count data are converted to percentages of responses for each sector and p-Values are the percentage probability of acceptance of the null hypothesis of no statistical significance, according to the Pearson Chi-square test. The requirement of adequate sample sizes is applied separately in the summary tables of responses.

<i>Response</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>p-Value (%)</i>
<b>T2Q2: What formal educational qualification is required of a director?</b>					
University degree required	10	0	0	8	0
Tertiary qualification required	0	0	2	7	0.3
No formal requirement	90	100	98	86	68.3
<b>T2Q4: What formal trustee training is required of a director?</b>					
Formal training to full ASIC PS146 competency is required	20	0	24	0	0
Some formal training is required	63	81	66	70	40.5
Formal training is encouraged but not required	10	19	7	18	5.6
No formal training is required	8	0	4	12	0.4
<b>T2Q7: What is the frequency of performance review of individual directors?</b>					
Yearly	75	38	56	86	0
Every two years	5	0	7	0	0.4
Every three years	0	6	4	0	1
No regular review	20	56	33	15	0
<b>T2Q11: What is the policy on review of compliance with SIS and other regulations?</b>					
Annual independent audit	5	6	9	16	5.2
Regular documented self assessment	18	0	11	12	0.1
Both independent audit and regular self assessment	75	94	80	70	26.1
Review as need arises	3	0	0	3	16.2
<b>T2Q13: What is the policy on related party service providers?</b>					
Formal policy on arms length dealing and documentation	63	69	73	87	22.2
Informal policy of Chinese walls	5	19	6	8	0.4
No specified policy	33	13	22	5	0
<b>T2Q14: What is the policy on director associations with fund service providers?</b>					
Formal policy to manage potential conflicts of interest including disciplinary action	88	88	80	99	57
Informal policy of registering paid work	0	0	6	0	0.1
No specified policy	13	13	15	1	1.4

<i>Response</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>p-Value (%)</i>
<b>T2Q15: What is the policy on "soft dollar" arrangements?</b>					
Formal policy to forbid the use of soft dollar arrangements	38	38	27	54	2.5
Informal policy to discourage the use of soft dollar arrangements	20	19	38	13	0.1
Soft dollar arrangements are permitted and/or currently in use	3	13	4	18	0
No specified policy	40	31	31	15	0.9
<b>T4Q6: Average percentages of inputs over all key decisions analysed by decision makers and sectors.</b>					
Trustee	43	28	40	27	12.0
Executives	13	26	24	44	0.0
Consultants	36	39	36	16	1.4
Employer-Sponsor	5	2	0	3	15.8
Other	3	6	0	10	0.9
<b>T5Q4: Entity relationship to the fund</b>					
Provider is the parent company of the trustee	5	0	0	17	0
Provider and trustee have common parent company	5	0	0	21	0
Provider is a wholly owned subsidiary of the trustee	0	0	1	0	63.9
Two of the above	0	0	0	0	89.4
No relationship	88	94	94	61	3.3
Other relationship	2	6	6	2	20
<b>T5Q5: Associations with board directors</b>					
Provider has trustee director(s) in paid employment.	7	0	0	10	0.1
Provider and trustee have common director(s).	2	4	4	10	7.6
Provider and Trustee have common parent company	0	0	0	0	89.4
Two of the above	0	0	0	12	0
Shareholders of the provider include trustee director(s).	0	1	0	0	90.7
All of the above	0	0	0	1	62.5
None of the above	90	95	95	67	10.7
<b>T5Q8: Method of Fee Disclosure</b>					
Explicit statement in accounts	36	25	22	23	22.2
Implicit charge on returns	43	71	57	27	0
Stated in PDS fee table	21	4	21	49	0
No fee, not disclosed	0	0	0	1	57.3

<i>Response</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>p-Value (%)</i>
<b>T6Q4: Category of primary employer</b>					
Current fund	5	3	3	25	0
Other super trustee	2	0	2	8	0.8
Self employed director	8	32	25	28	0.2
Employer sponsor	72	40	40	6	0
Government agency	0	11	3	0	0
Industry union	0	14	26	1	0
A fund service provider	14	1	1	33	0
<b>T6Q5: Job type with primary employer</b>					
Director	14	27	19	36	0.6
Senior Executive	32	26	36	40	36.9
Manager	27	9	11	7	0
Employee	22	17	16	1	0
Self employed	6	22	18	17	2.9
<b>T6Q6: Type of board representation</b>					
Fund member	41	19	18	7	0
Employer sponsor	34	40	45	13	0
Industry union	3	26	29	0	0
Government	0	7	1	0	0.1
Professional advisor	10	0	0	14	0
None	13	8	8	66	0
<b>T6Q7: Method of appointment to the board</b>					
Member elected	36	13	16	0	0
Employer elected	37	41	39	4	0
Government appointed	0	18	1	0	0
Union appointed	3	24	30	0	0
Appointed through executive search	1	1	3	15	0
Appointed through personal contact	4	0	2	10	0.2
Appointed internally	20	3	10	71	0
<b>T6Q10: Highest tertiary qualification</b>					
Doctorate degree	4	0	3	1	16.4
Masters degree	18	8	11	23	3.4
Bachelors degree	30	39	37	41	58.8
Graduate diploma	13	13	10	7	57.3
TAFE degree	2	1	2	0	62.8
TAFE certificate	6	8	6	0	5.8
Professional qualification	18	14	15	24	30.5
No tertiary qualification	10	17	17	3	1.2

<i>Response</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>	<i>p-Value (%)</i>
<b>T6Q12: Trustee related training completed</b>					
Full ASIC PS146 competency training	20	18	31	12	2.1
Formal courses by accredited institutions	22	38	28	27	19.3
20 to 50 hours formal training	27	23	29	30	82.1
Less than 20 hours formal training	30	14	8	29	0.1
No formal training	1	6	4	3	29.7
<b>T7Q1: Type of association to the provider</b>					
Director is in paid employment by the provider	29	0	10	28	0
Director is also a director of the provider	7	77	72	47	0
Director is a shareholder of the provider	3	15	1	0	0
Two of the above	42	0	1	17	0
All of the above	9	0	1	3	0.2
Other	10	8	15	5	12.3

## Analysis of Statistical Significance of Sector Differences for Numeric Data

Numeric data for response distributions are compared by sector and p-Values are the percentage probability of acceptance of the null hypothesis of no statistical significance, according to the one-way ANOVA F-test.

<i>Response Statistics</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>
<b>T2Q1: What is the current number of board directors? p-Value: 0.0</b>				
Sample Size	40	16	55	76
Mean <sup>1</sup>	7.8	7.1	8.8	5
St Dev	2.6	1	2.8	1.2
<b>T2Q3: How many years of superannuation or investment experience are required of a director? p-Value: 0.0</b>				
Sample Size	40	16	55	76
Mean	1.6	0	0	1.9
St Dev	3.5	0	0	2.9
<b>T2Q8: What is the average number of board meetings per year? p-Value: 0.8</b>				
Sample Size	40	16	55	76
Mean	6.7	9.1	7.5	9.1
St Dev	3	2.6	2.8	5.1
<b>T2Q9: In addition to board meetings, what is the average number of sub-committee meetings per year? p-Value: 4.6</b>				
Sample Size	40	16	55	76
Mean	13.1	15.1	14.7	10.7
St Dev	9.6	7.5	7.9	9.1
<b>T2Q10: What is the average duration (in hours) of a board meeting? p-Value: 0.0</b>				
Sample Size	40	16	55	76
Mean	3.9	4.4	4.8	2.4
St Dev	1.7	1.5	1.6	1.3
<b>T2Q12: What is the number of service providers currently used by the fund? p-Value: 0.0</b>				
Sample Size	40	16	55	76
Mean	12.3	20.5	22.6	6.8
St Dev	9.2	10.1	15.6	4.4

<sup>1</sup> Note that the numbers of current directors stated in Table 2 are slightly different from the numbers of directors who responded to questions in Table 6.



<i>Response Statistics</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>
<b>T2Q16: How many times have discussions or declarations of actual or potential conflicts of interest, by persons other than directors, been minuted in the past three years? p-Value: 55.0</b>				
Sample Size	40	16	55	76
Mean	1.9	2.2	1.1	1.9
St Dev	4.1	4.4	3.1	3.9
<b>T2Q17: How many times have discussions or declarations of actual or potential conflicts of interest, by directors, been minuted in the past three years? p-Value: 32.5</b>				
Sample Size	40	16	55	76
Mean	6.5	8.9	6.1	6.5
St Dev	5.4	5.1	5.4	5.5
<b>T3Q1 Rank: Determining and implementing the fund's asset allocation. p-Value: 0.0</b>				
Sample Size	40	16	55	76
Mean	3.7	3.1	3.2	6.4
St Dev	2.2	2	1.9	2.3
<b>T3Q2 Time: Determining and implementing the fund's asset allocation. p-Value: 0.0</b>				
Sample Size	40	16	55	76
Mean	7.5	11.3	10.2	5.6
St Dev	5	7.5	5	4.3
<b>T3Q1 Rank: Selecting and assessing investment managers. p-Value: 21.2</b>				
Sample Size	40	16	55	76
Mean	5.8	5.2	5.4	4.9
St Dev	2.4	1.9	2.5	2.1
<b>T3Q2 Time: Selecting and assessing investment managers. p-Value: 4.1</b>				
Sample Size	40	16	55	76
Mean	7.3	10.7	10.2	8.1
St Dev	5.1	6.3	6.1	5.8
<b>T3Q1 Rank: Selecting and assessing the administrator p-Value: 65.5</b>				
Sample Size	40	16	55	76
Mean	5.5	5.8	5.4	5.1
St Dev	2.4	3.1	2.6	2.6
<b>T3Q2 Time: Selecting and assessing the administrator. p-Value: 89.7</b>				
Sample Size	40	16	55	76
Mean	8	8.8	7.7	8.2
St Dev	4.6	6.2	4.6	5.4

<i>Response Statistics</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>
<b>T3Q1 Rank: Selecting and assessing asset consultants. p-Value: 0.0</b>				
Sample Size	40	16	55	76
Mean	7.4	6.9	6.5	8.4
St Dev	2	2.3	2.2	2.3
<b>T3Q2 Time: Selecting and assessing asset consultants. p-Value: 6.7</b>				
Sample Size	40	16	55	76
Mean	4.7	4.2	5.1	3.6
St Dev	2.5	2.5	2.5	4.4
<b>T3Q1 Rank: Reviewing and assessing the fund's investment performance. p-Value: 43.9</b>				
Sample Size	40	16	55	76
Mean	3.5	4.4	3.8	3.8
St Dev	2.1	1.9	2	1.7
<b>T3Q2 Time: Reviewing and assessing the fund's investment performance. p-Value: 1.5</b>				
Sample Size	40	16	55	76
Mean	13.8	14.7	15.4	12.2
St Dev	6.1	5	6.3	5
<b>T3Q1 Rank: Assessing quality of member services/needs of members. p-Value: 14.1</b>				
Sample Size	40	16	55	76
Mean	5.4	4.3	4.7	4.4
St Dev	2.5	2.2	2.3	2
<b>T3Q2 Time: Assessing quality of member services/needs of members. p-Value: 0.2</b>				
Sample Size	40	16	55	76
Mean	7.5	11.4	10.9	11.6
St Dev	3.8	4.7	5	6.5
<b>T3Q1 Rank: Communicating and making presentations to employer-sponsors, members or advisors. p-Value: 0.2</b>				
Sample Size	40	16	55	76
Mean	7.1	8.3	8.6	7.6
St Dev	2	1.9	1.4	2.4
<b>T3Q2 Time: Communicating and making presentations to employer-sponsors, members or advisors. p-Value: 25.8</b>				
Sample Size	40	16	55	76
Mean	6.5	4.4	4.8	5.5
St Dev	3.7	4.3	3.9	5.4
<b>T3Q1 Rank: Assessing the fund's competitiveness (on fees, product offering etc). p-Value: 0.0</b>				
Sample Size	40	16	55	76
Mean	8.4	6.6	6.9	6.4
St Dev	1.8	3.4	2.3	2

<i>Response Statistics</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>
<b>T3Q2 Time: Assessing the fund's competitiveness (on fees, product offering etc). p-Value: 5.9</b>				
Sample Size	40	16	55	76
Mean	5.2	7.1	7.1	6.9
St Dev	3.5	4.4	4.3	3.6
<b>T3Q1 Rank: Ensuring compliance with legislation and regulation. p-Value: 0.0</b>				
Sample Size	40	16	55	76
Mean	1.6	3.4	2.3	1.4
St Dev	1	2.4	1.8	1.2
<b>T3Q2 Time: Ensuring compliance with legislation and regulation. p-Value: 0.0</b>				
Sample Size	40	16	55	76
Mean	23.2	14.4	17.5	28.7
St Dev	12.2	5.7	6.5	11
<b>T3Q1 Rank: Other (including insurance claims, consulting with actuaries and auditors and other board tasks). p-Value: 0.1</b>				
Sample Size	40	16	55	76
Mean	6.5	7	8.2	6.7
St Dev	2.7	2.9	1.9	2.6
<b>T3Q2 Time: Other (including insurance claims, consulting with actuaries and auditors and other board tasks). p-Value: 0.0</b>				
Sample Size	40	16	55	76
Mean	16.2	13.1	11	9.5
St Dev	9.6	7.9	6.7	6.7
<b>T5Q2: % of the type of fund function provided. p-Value: 0.0</b>				
Sample Size	492	328	1242	513
Mean	68.1	57.8	41.5	76.3
St Dev	39.5	41.5	41.6	36.3
<b>T5Q3: Number of years employed by the fund. p-Value: 0.0</b>				
Sample Size	492	328	1242	513
Mean	7	5	5.1	7.5
St Dev	7.1	5.2	5	7.6
<b>T5Q6: Asset based fee (% of asset serviced pa). p-Value: 0.0</b>				
Sample Size	492	328	1242	513
Mean	0.26	0.35	0.37	0.18
St Dev	0.54	0.58	0.77	0.38
<b>T5Q7: Flat dollar fee (dollars pa). p-Value: 8.5</b>				
Sample Size	492	328	1242	513
Mean	214,922	284,222	819,468	1,161,300
St Dev	645,254	1,115,702	4,692,934	13,135,821

<i>Response Statistics</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>
<b>T6Q1: Director Age. p-Value: 0.0</b>				
Sample Size	312	120	498	389
Mean	50.4	56.2	54.9	51.3
St Dev	8.8	8.1	9.6	9.6
<b>T6Q2: Years as director of current board. p-Value: 0.0</b>				
Sample Size	312	120	498	389
Mean	4.3	6.5	6.7	3.9
St Dev	4.1	5	5.7	4.3
<b>T6Q3: Years of experience on boards of super trustees. p-Value: 0.0</b>				
Sample Size	312	120	498	389
Mean	6	8.2	8.5	5.8
St Dev	5.8	6.4	6.6	5.5
<b>T6Q8: Number of other directorships currently held. p-Value: 0.0</b>				
Sample Size	312	120	498	389
Mean	1.7	1.9	2.4	7
St Dev	3.9	2.4	3.7	6.7
<b>T6Q9: Number of hours spent per year on fund matters outside board meetings. p-Value: 0.0</b>				
Sample Size	312	120	498	389
Mean	68.9	123	118.6	90
St Dev	63.9	68.8	69.8	73.4
<b>T6Q11: Number of active memberships of professional bodies. p-Value: 0.0</b>				
Sample Size	312	120	498	389
Mean	1.2	1.6	1.6	1.8
St Dev	1.5	1.5	1.5	1.6
<b>T6Q13: Remuneration (exclude expenses) from trustee (dollars pa). p-Value: 0.0</b>				
Sample Size	40	98	352	112
Mean	30,686	38,809	28,063	70,363
St Dev	26,277	24,205	22,480	84,635
<b>T6Q14: % of directors super invested in this fund. p-Value: 0.0</b>				
Sample Size	40	98	352	112
Mean	63.3	55.6	44.3	11.9
St Dev	46.5	47.4	46.6	30.4
<b>T6Q15: Number of family members also invested in this fund. p-Value: 3.3</b>				
Sample Size	40	98	352	112
Mean	0.08	0.17	0.32	0.15
St Dev	0.29	0.46	0.71	0.65

<i>Response Statistics</i>	<i>Corporate</i>	<i>Public Sector</i>	<i>Industry</i>	<i>Retail</i>
<b>T7Q2: Regular remuneration by the provider (dollars pa). p-Value: 0.0</b>				
Sample Size	27	20	46	99
Mean	223,150	32,996	26,985	254,761
St Dev	183,764	17,324	21,910	201,953
<b>T7Q3: Non-ongoing fees or commissions (dollars in last 12 months). p-Value: 0.5</b>				
Sample Size	27	20	46	99
Mean	0	0	44	81,846
St Dev	0	0	295	215,813



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