



SA Police Super

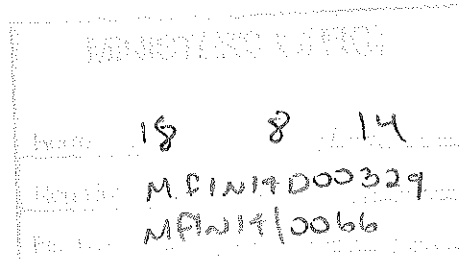
Police Superannuation Scheme



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15 August 2014

The Hon Tom Koutsantonis
Minister for Finance
Level 8
State Administration Centre
200 Victoria Square
ADELAIDE SA 5000



Dear Minister

Reform of South Australian Boards and Committees Police Superannuation Board

I write to you as the Presiding Member of the Police Superannuation Board (PSB) in reference to correspondence from the Premier, dated 8 July 2014, concerning his plan to reform South Australian government boards and committees.

I have noted the Premier's intention to abolish every board and committee, unless it can be demonstrated each board or committee has an essential purpose that cannot be met by other means. I advise the PSB should be exempt from abolition on the basis it has a specific purpose and administrative responsibilities and functions which cannot be undertaken, by other means, in a manageable or cost effective way.

The PSB is a statutory trustee established under the *Police Superannuation Act 1990* and is responsible to the Minister for Finance for the administration of the Police Superannuation Scheme (PSS) (except for the management of investments which is charged to Funds SA). The PSB's trustee membership and powers, administration, compliance and reporting responsibilities accord with the Commonwealth's Superannuation Industry (Supervision) legislation and the Heads of Government Agreement between the South Australian Government and the Commonwealth.

The PSB's commercial focus is to provide fund members with consistent, high quality superannuation services in an efficient and cost effective manner. The PSB's mandated functions include strategic direction, the administration of a defined benefit pension scheme (which includes the payment of pensions to retired police officers, spouses and children), review and determination of police invalidity and death claims, reporting and fiduciary control.

The current membership of the PSB consists of both serving and retired police officers who have held and continue to hold a wide range of policing and management positions within SAPOL. They have significant experience, knowledge and understanding of policing operations, public policy, police culture, administration, management and superannuation matters relating specifically to police.

The PSB's administrative responsibilities and functions cannot be undertaken, by other means, in a manageable or cost effective way. The abolition of the PSB will require significant legislative and administrative change, which will result in considerable cost. The administration of the PSS requires a representative board with significant collective knowledge, experience and understanding of policing and police culture. I have attached the template, as requested, advising further criteria relevant to the retention of the PSB in its current form.

In conclusion, the PSB has specific administrative functions and responsibilities which are based on the *Police Superannuation Act* and associated Commonwealth legislation. The functions and responsibilities are complex and include the payment and determination of police pensions, pursuant to the above legislation. Accordingly, I advise that an exemption from abolition of the PSB is imperative. As earlier mentioned, there is no benefit in costs, efficiencies or effectiveness which can be achieved by abolishing or merging the PSB.

Should you require any additional information regarding this matter, please contact the PSB Secretary, Michael Hogg, on 8204 2963 or via email michael@policesuper.sa.gov.au.

Yours faithfully



(Michael Ramm)
Presiding Member
Police Superannuation Board

Section of report	Comment
Board/Committee name	Police Superannuation Board (PSB)
Minister	Minister Tom Koutsantonis
Portfolio	Minister for Finance
Who is coordinating advice to the minister?	Police Super Office
How is the board or committee constituted?	Legislation
What is the function of the board or committee?	Decision Making
Board or committee funding	External Government Funded
Minister's interim recommendation	Exempt
If recommended to be exempt, provide justification	<p>Criteria 1: Is the operation of the entity truly commercial in nature: Yes, the PSB is commercially focused to provide members with consistent, high quality superannuation services.</p> <p>(i) has there been a full delegation of powers</p> <p>Yes, the PSB is responsible to the Minister for all aspects of administration (other than investments). The PSB's trustee membership and powers, administration, compliance and reporting responsibilities accord with the Commonwealth's Superannuation Industry (Supervision) legislation and the Heads of Government Agreement between the South Australian Government and the Commonwealth.</p> <p>(ii) does the entity meet the standard definition of a public non-financial corporation or a public financial corporation?</p> <p>No – the PSB is not referenced as one of these bodies in the 2014-15 State Budget, Budget Paper 3.</p> <p>Criteria 2: Is there are case for direct community or sectoral representation through a board</p> <p>As per the Police Superannuation Act 1990, three board members (including the Presiding Member) of the PSB are appointed by the Governor on the nomination of the Minister and two members are appointed by the Governor on the nomination of the Police Association of South Australia. This practice provides for equal representation for the employer, being the South Australia Police and police employees who are members of the Police Superannuation Scheme (PSS). This practice is common in the superannuation industry. While there are no requirements under the Act with respect to the qualifications of the members of the Board, Cabinet takes these issues into consideration when appointing. The members of the PSB have held and continue to hold a wide range of policing and management positions within SAPOL. They have significant experience, knowledge and understanding of policing operations, public policy, police culture, administration, management and superannuation matters relating specifically to police. The PSB's collective experience in the administration of the PSS is crucial and this specific and specialised experience is not available through other options.</p> <p>The PSB provides its members with excellent customer service and communications. The PSB conducts workplace information sessions for both metropolitan and country areas.</p> <p>Criteria 3: Will the abolition of the board have a negative impact on business or community confidence</p> <p>Yes, the abolition of the PSB would have a significant negative impact on member confidence in the administration of the PSS of which their membership is compulsory. That is, a superannuation fund is a trust structure by which the trustee (ie the PSB) holds property on trust for the beneficiaries (members). The members effectively turn over their rights and proprietary interest in their superannuation to the trustee, separating ownership of the funds and control</p>

Section of report	Comment
	<p>from its equitable ownership. As part of a superannuation trust, employers have an obligation to contribute to the relevant superannuation fund in accordance with Commonwealth legislation and the legislation governing the PSB. Members also have a right to appeal to the trustee, including the PSB, in the event that they are dissatisfied with the original decisions of the trustee/Board.</p> <p>Having regard to the fundamental structure of a superannuation trust, if the PSB is abolished and its trustee obligations are delegated to state government departments/employees:</p> <ol style="list-style-type: none"> 1. the necessary independence between the trustee and the employer will be lost, and the current transparency, impartiality and accountability between the stakeholders will become blurred, if not non-existent; 2. the employer could have a conflict of interest, in that it will be the same body charged with both administering the fund, and making financial contributions to it; and 3. members will no longer have an independent appeal mechanism, in that they will effectively be required to appeal to the employer body, who as stated above, could have a conflict of interest between its various roles. <p>It is anticipated that this would impact significantly on member confidence in terms of the administration of the fund.</p> <p>Criteria 4: Is there a significant legal or financial advantage in retaining the Board</p> <p>There are both significant legal and financial advantages in retaining the PSB. In terms of legal requirements:</p> <ol style="list-style-type: none"> 1. The Board has a legislated mandated responsibility to administer the government's PSS and therefore there is a justified on-going need for its continuation. 2. The State is subject to obligations under the Heads of Government Agreement between the Commonwealth and the States/Territories. The Commonwealth recognises pursuant to this document that circumstances surrounding public sector schemes warrant exemption from strict/technical compliance with Commonwealth superannuation legislation, and in return, the States and Territories agree that relevant schemes will "conform with the principles of the Commonwealth's retirement incomes policy to the best of their endeavours". This includes an obligation to comply with trustee governance arrangements consistent with Commonwealth superannuation legislation. 3. Trustees of superannuation funds must act in accordance with the legislation/trust deed governing the fund, complex Commonwealth superannuation and corporation laws, stringent Commonwealth Prudential Standards (including "fit and proper person" requirements) and other legislation impacting on the conduct of the fund and trustee (such as tax legislation, family law etc). This includes the requirement to exercise a reasonable degree of care and diligence that a superannuation entity director would exercise in the corporate trustee's circumstances. 4. Trustees of superannuation funds must act in the best interests of members in accordance with the general law concerning trusts and trustees, including the requirement to act in the best interests of beneficiaries and avoid conflicts of interest. <p>These points indicate that there are significant obligations on superannuation trustees which are specific in nature, which do not fall into the realm of expertise and experience of persons outside the PSB's structure (eg government employees).</p>

Section of report	Comment						
	<p>In terms of financial obligations, there would be significant cost implications of dissolving the PSB and entrusting these trustee duties to government employees or other third parties suitably qualified to carry out the role of superannuation trustee. The budget allocation for the payment of PSB board fees during 2014-2015 is \$11,000. Board fees are paid to the Presiding Member and retired police members of the Board. Board fees are not paid from general Government appropriation and are funded directly from the PSS.</p> <p>Additional financial information in respect of the PSS includes:</p> <table data-bbox="571 600 1273 689"> <tr> <td>Total assets as at 30 June 2014</td> <td>\$1.28 billion</td> </tr> <tr> <td>Member and employer contribution receipts for 2013-2014</td> <td>\$99.9 million</td> </tr> <tr> <td>Benefit payments for 2013-2014</td> <td>\$77.8 million</td> </tr> </table>	Total assets as at 30 June 2014	\$1.28 billion	Member and employer contribution receipts for 2013-2014	\$99.9 million	Benefit payments for 2013-2014	\$77.8 million
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<p>Implementation status: Will the recommended outcome be achieved by 30 October?</p>	<p>Green: On track for 30 October 2014</p>						
<p>Future or alternative arrangements</p>	<p>The current activities of, and requirement for, the PSB should continue in its existing form, to ensure industry standards of member representation, compliance with Commonwealth superannuation laws and regulations, and independent consideration of the administration of the PSS.</p>						