

# Notes of the Employee Pre-Consultative Meeting

24 November 2010

## 1. ROLE OF THE PRE-CC MEETING

Members were reminded that this pre-meeting is an informal caucus of the employee representatives of the Consultative Committee and so had no formal status. Its main purpose is to provide members with an opportunity to discuss any proposed changes to the trust deed in closed session as well as raise any other matters that they would like the board and management to consider.

## 2. EMPLOYEE REPRESENTATIVES PRESENT

The four directors were introduced to the meeting. Keith Tull was welcomed as the new general staff representatives' trustee director. His predecessor, Michael Coyle, also kindly attended the meeting to help answer any questions. His past contribution was duly noted and he was wished well in his move to the teaching side of education sector.

## 3. ARTICLE 34, VBI and ABI

The meeting was informed that Article 34 was still in place and had a further two years to run before a formal actuarial review would be conducted. The VBI and ABI at the end of September 2010 stood at 91.4 and 105.6 respectively. The formal meeting was later told that as of 11 November 2010 these numbers had increased slightly to 92.4 and 106.6 respectively.

As in prior years, many members requested details of the specifics as to how benefits might be adjusted should the Clause 34 period require a reduction in member benefits. The problem, as has also been explained previously, is that it is impossible to formulate a policy today that a future board would be required to implement some two years or more hence. The final decision would depend entirely on the prevailing circumstances of the fund, overall market conditions and regulatory policy.

A suggestion in response was that a list of principles might be useful as an indicator of potential action. While this is stated already in the trust deed, more details would be appreciated.

*ACTION: Management would be requested to consider whether a broad set of guiding principles, rather than just the trust deed clause, might be provided.*

## 4. COOPER AND HENRY REVIEWS

Members were asked to note the management response to this matter in notes and that UniSuper had been an active participant in the recent superannuation related reviews in its own right, through industry associations and by contributions of individual staff to various committees.

Members wondered what impact that MySuper might have in respect of UniSuper's current

defined benefit default policy. It was explained that until the regulations associated with MySuper were formulated, it is impossible to know. The chair of the Cooper Review had indicated informally that the current default approach would probably be appropriate for continuing staff. The 9% contribution members, however, might require a different default - perhaps comprised of an indexed passive portfolio, again, it is too early to say.

*ACTION: UniSuper management would be asked to express a view on the above.*

## **5. FEES AND CHARGES**

One member claimed that funds management, custodian, brokerage and other fees were simply netted from investment returns in many superannuation funds and so that the disclosed level of fees understated the full costs of operating fund. The issue of performance versus fixed percentage investment management fees were also raised.

*ACTION: UniSuper management would be asked to provide more detail on its fee and other expenses as well as its disclosure policies in this regard.*

## **6. DEFINED BENEFIT FUND**

One member questioned whether UniSuper actually operated a defined benefit fund and was assured that this was legally the case.

Other members felt that there was still not adequate disclosure in UniSuper documentation that the employers did NOT guarantee the fund's financial stability. In reference to the super 101 script, some still felt that the employer's role remained too understated.

*ACTION: UniSuper management would be asked to re-examine the current disclosure and, in particular, ensure simple English is used to convey this message.*

## **7. FINANCIAL REPORTING**

Dissatisfaction was expressed at the level of remuneration disclosure in the annual report as well as the amount paid. Members were informed that UniSuper's disclosure policy was considerably greater than that of most industry funds. In terms of compensation, a new scheme had since been implemented.

Others thought it would be useful for quick comparisons purposes to provide a table covering significant statistics for each year for the last five years be included in future annual reports. The specific content would be for management to determine but could include such membership numbers, expense ratios, asset size, and performance matters.

*ACTION: UniSuper management would be asked to consider further improvements to its level of financial disclosure.*

## **8. DEFINED BENEFIT FORMULA**

There were questions over the calculation on the final benefit payment and whether or not it

was fair to allow a greater accumulation in the later stages than in earlier ones. Similarly, the issue of universities giving special promotions or salary increases just before the start of the final three year retirement calculation was also raised again. Some questions revolved around whether a life time average or other formula might be fairer to all members. Questions were also asked about the five measures need to calculate the benefit and whether a simpler model might be more effective and involve less administrative costs.

*ACTION: UniSuper management would be requested to consider whether a different, more simplified formula might be used in the future.*

## **9. CONSULTATIVE DAY PROGRAM**

Some members expressed concerns over the removal of the afternoon information sessions. It was explained that the intention was to provide a longer, more content filled half day session and a later lunch. The management had perceived that some members simply left after the formal meeting and so missed some of the messages - particularly in regards to investments - that could be important from them to understand. The new schedule was an attempt to address this issue. While a survey was planned to be conducted, it was request that specific feedback be obtained over the new format.

*ACTION: Request UniSuper management to examine the information sessions as well as other aspects of the new format and report back to the overall committee in due course.*

## **10. TRUST DEED CHANGES**

Some members wondered whether it would be easier for people to understand the trust deed changes if they were provided in a 'tracked changes' word document with the old items shown stricken out as well as the new ones replacing them. If it that is too difficult to post, it could be done via a USB stick or CD.

Several members discussed the Clause 33.3 change on the provision of late payments. It was questioned as to why the term "may" was used in what seemed to be a legal entitlement as well as why 30 days might be allowed.

*ACTION: This same matter was raised in the formal CC meeting and the clause was withdrawn for reconsideration after more consultation.*

## **11. VOLUNTARY CONTRIBUTION LEVELS**

One member wondered whether the level of voluntary contributions had changed significantly over the last year. The implication was that the recent data problems might have resulted in a loss of member confidence and lower voluntary contributions may have been an outcome.

*ACTION: Request UniSuper management to provide data on the level of contributions - both voluntary and otherwise for the last few years.*

## **12. CASH VERSES PENSION ON RETIREMENT**

One member questioned whether there was any impact on the VBI of members selecting one form of payment versus another on retirement. In contrast to the questioner's expectation, it was felt that there was a slight VBI improvement from a lump sum payment. This was later confirmed in individual discussions with the actuary. All things being equal, the pension is considered to have more impact than the cash payment for VBI purposes. Obviously a run to cash by all members while the VBI is under 100% would have quite a different outcome, but the fund is protected against this through the trust deed. To access their DB funds, members need to leave their current employment either by leaving the university sector or by retirement. In regards to the latter, transition to retirement DB pensions require the member to reduce their employment to at least 0.8 full time status to qualify.

*ACTION: None required - the initial answer was later confirmed informally after the formal meeting.*

## **13. LEGAL ACTION AGAINST UNISUPER**

Members expressed concern that some retirees might sue UniSuper if they suffered losses resulting from life style decisions based on wrong estimates of their expected retirement benefits.

*ACTION: None required - the matter was addressed at the formal CC meeting.*

## **14. SUPERPAY**

One member expressed concern over the implementation of Superpay at her university and felt that UniSuper had not consulted adequately with the universities in this regard. Another, however, had been involved in the pilot program and felt that their views had been duly noted.

*ACTION: None required - Management made a commitment to increase its consultation with its stakeholder on administrative and trust deed changes.*

## **15. CUSTOMER SERVICE**

Several members wondered as to whether there were any industry standards in terms of superfund service performance. If so, it would be useful for these to be reported together with UniSuper's own comparative figures. It would also be useful to have a few years of such data so any trends might be identified.

*ACTION: UniSuper management would be requested to provide comparative figures with its performance compared to an industry standard and that these provided over several years so that any trends could be easily observed.*

## **16. QUEENSLAND RAIL (QR)**

One member asked whether UniSuper or its managers participated in the recent QR float. The members were informed that UniSuper did not invest on its own accord but that some of its managers may have done so.

*ACTION: UniSuper management would be requested to explain whether its managers participated in the IPO for QR.*

## **17. DEFINED BENEFIT FUND DISCLOSURE**

Some members noted that there is no actual reporting about the defined benefit fund's performance other than the ABI/VBI. They wondered that given this fund would be managed differently in the future than the accumulation fund whether some specific reporting might be introduced.

*ACTION: UniSuper would be asked to consider what further details might be provided in the future in regards to the DB fund.*

## **18. DERIVATIVES**

One member asked about the level of derivatives disclosed in the annual report and what they were being used to do. It was suggested that these would normally be a function of UniSuper's foreign exchange hedging. This was later confirmed in the formal CC meeting.

*ACTION: None required - the matter was addressed at the formal meeting.*

*Above notes prepared by Michael Skully - revised as of 8 December 2010*