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## GONSKI PROVOKES AND INSPIRES

David Gonski wowed the most senior CMSF delegates with a powerful and provocative speech on governance.

His points on independence of thought, the role of the chair as a conductor rather than as a boss, and his misgivings at appointing specialists all found favour.

Angela Emslie, the independent chair of Hesta, said: "What really resonated for me, was the chair being the conductor of the orchestra. The role is about getting the best out of everybody."

The speech was useful for those not on boards to understand the dynamics of running a fund, she added.

Gonski devoted the largest part of his speech to a dissection of what

independence means.

He described it as a state of mind. "I have seen many outstanding directors who were not independent, yet they have adopted the attitude that no matter who they represent, their duty is to do the best they can for the board," he said.

*It was a masterful display of why David Gonski is so much in demand from the government and the private sector*

In what appeared a barbed comment, Gonski also contrasted this mindset with a director whose first duty was to the entity they represented. He also criticised those directors who felt their position was

a reward for long service.

Danielle Press, chief executive of Equip, thought Gonski's most salient point was the danger of appointing specialists, who lacked a broad perspective of day-to-day management of a fund.

Gonski made this point in relation to the popular call for IT experts to sit on boards.

"Subject matter experts are only good where they can contribute to the board as a whole not just on their subject matter area," he said.

The Hon Peter Collins, independent director of HOSTPLUS, was also impressed. "It was a masterful display of why David Gonski is so much in demand from the government and the private sector," he said. ■

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## SPONSORED EDITORIAL

# EARLY INTERVENTION IS THE KEY

Australian businesses are risking productivity levels by failing to implement rehabilitation programs aimed at getting employees back into the workforce following illness, disability or injury, says Damian Mu.

According to research by health promotion foundation, SuperFriend, the life insurance and superannuation industry is paying out over \$160 million annually in mental illness-related income protection and disability claims.

But the issue of employee rehabilitation is not just one that affects an insurer's bottom line. For businesses, it has been estimated that every dollar spent on identifying, supporting and case-managing employees with mental health issues yields close to a 500 per cent return in improved productivity, through increased output and reduced leave.

At AIA Australia, extensive trials have confirmed rehabilitation opportunities identified through early intervention resulted in an increasing number of employees successfully returning to work. Research shows if an employee is off work for 20 days, they have a 70 per cent chance of returning to work. If they are off for 45 days, this goes down to 50 per cent, and after 70 days the chance of returning to work is only 35 per cent, timing is everything.

So why don't all companies offer rehabilitation programs to their employees? Positive change in organisational health takes time and is a long term investment for companies. Whilst it's important that companies continue to focus on delivering value to their customers an investment into their employees' rehabilitation will also reap rewards for the employee, the employer and ultimately the life insurer.

The reality is returning to work restores more than an individual's income. It also helps restore a person's identity and self-esteem.

We've spent several years driving change to get rehabilitation and return to work right and we've only just scratched the surface and are still looking for ways to deliver better outcomes for all involved. It's up to the life insurance industry to educate funds and companies on how they can best support RTW practices, ensuring rehabilitation is put on the business agenda. 

**Damien Mu is general manager of life insurance for AIA Australia**

## EIGHT IDEAS ON GOVERNANCE FROM DAVID GONSKI

Here are the highlights from the Governance Does Matter session by David Gonski.

### 1 The chair is not the boss, but the conductor

The job of the chair is to make sure all board members are heard, it should be a role that helps co-ordination and in nurturing.

### 2 A chair should be close to a CEO, not their friend

A chair that is too friendly cannot discharge their duties. A chair who hates the CEO cannot perform their role either.

### 3 Diversity on boards leads to higher performance

Ideas are more likely to be tested and different points of view aired on a diverse board

### 4 Boards should have geographic diversity

Gonski urged greater national representation and even international representation.

### 5 Experts should also be all-rounders

Responding to the popular call to have IT experts on boards, Gonski said have such experts would not work if they could not help on every day matters such as accounts and investments. In this case, he advised they were better as advisers.

### 6 Appraisals are best carried out by external bodies

Gonski said some of the best board appraisals were carried out by psychologists.

### 7 Use committees to help save board time

The advantages of a committee is that it can take ideas offline rather than affecting board meetings. It allows people to hone their chairing skills too.

### 8 Independence of mind was paramount

As long as a director's conflicts of interest are properly aired, such lack of independence should not be a negative for boards.



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\*Lifewise.org.au, accessed on 15/10/2013. This provides general information only, and is not intended as financial or other advice. AIA Australia Limited (ABN 79 004 837 861 AFSL 230043) ADV2017





Portfolio disclosure: solving a small problem with a sledgehammer

## DISCLOSURE: HEADACHE FOR TRANSPARENCY

Panellists were divided over the value of the portfolio holding disclosure regime, with chair of the session Greg Nolan, general manager of investments at CareSuper, questioning whether it was a member-driven requirement.

“Is anyone in the audience inundated with member queries about portfolio holding disclosure,” he asked delegates, but not one hand went up. “I’m wondering if we are trying to solve a very small problem with a sledge hammer.”

Maria Wilton, managing director of Franklin Templeton Investments and the fund manager representative on the panel, saw a number of risks associated with the portfolio holdings disclosure regime.

The costs associated with such a regime included hard costs to super funds, but also a larger cost of encouraging short term behaviour.

“We need to bat back in the interests of long-term returns,” she said.

Wilton also argued there was a risk members would be flooded with too much information which was not meaningful.

“Line by line disclosure of a portfolio doesn’t tell you anything about the risk/

return characteristics of the portfolio,” she said.

Marian Azar, head of product for global fund services at JP Morgan, said there needed to be more debate about what was being achieved with the data.

“It means different things to different people,” she said.

But Anthony Serhan, managing director of Morningstar Australia said that the industry was lagging on an international setting when it came to disclosure.

“When you look at the question of why we have portfolio holdings disclosure you should look at your members first,” he said. “You are managing investments for their retirement, they should be able to see what they are invested in.”

Serhan also argued that more transparency had a role in safeguarding the system as a whole, as transparency raises the bar, which creates confidence and helps with member engagement, he argued.

## THE DEATH OF HIERARCHY

Success means super funds need to become consumer-centric, and to do this requires a change in organisation, structure and people, according to Dr Catriona Wallace, chief executive of Fifth Quadrant.

Wallace, who is working with AustralianSuper on an enterprise-wide consumer strategy, says becoming consumer-centric requires human-centred design where concepts are constantly tested with customers.

“It is impossible for you to unlock the value in your customers, without those customers being involved in unlocking that value with you,” she said.

Research, cited by Wallace, shows that 75 per cent of people want to customise their own experience in superannuation, including communication and price, and will pay on average 14 per cent more for this.

*In this environment there is no ego, no politics and no power play*

Wallace made these points to help in a session entitled “The death of hierarchy – new leadership options for today’s super funds”.

From her experience as an academic, entrepreneur and mother of five, she advocates a non-hierarchical leadership model.

“One of my companies has 100 employees, and while I am the boss I am not always the leader. I choose a team member to lead at a point in time. We have no reporting lines and everyone knows what everyone else is being paid. There are no set workstations and I could sit in five or six places each day. There is no performance assessment, but we are constantly being assessed by peers, clients and suppliers. In this environment there is no ego, no politics and no power play.”

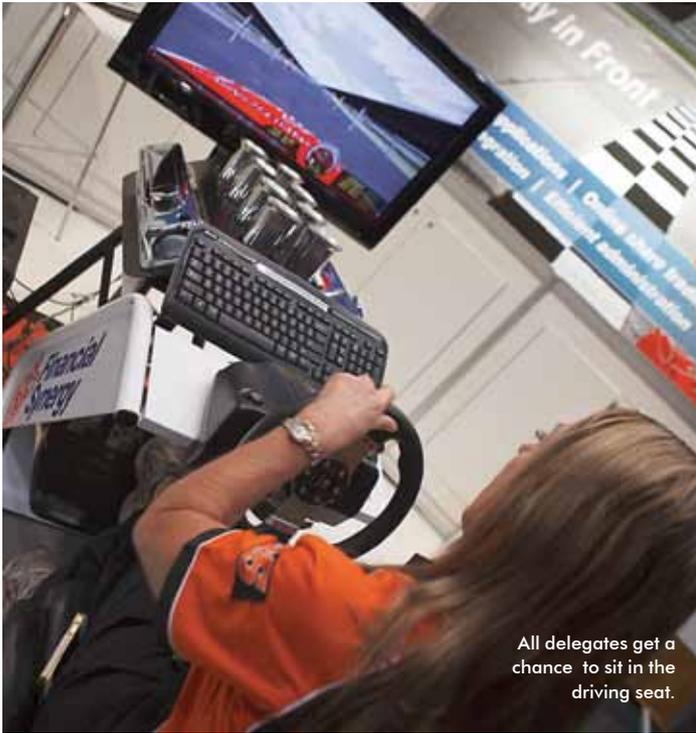
The result she says is high staff retention and a high level of customer interaction.

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# CAPTURED



All delegates get a chance to sit in the driving seat.



Ann Byrne, Louise Davidson and Paul Murphy



'And they're off'. The conference of the year begins.



Michael Armitage, Justine Gorman and Wade Matterson



Andrew Curtain, Natasha Norton and Lucy Thomas



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Gavin Blake of Feverpicture turns ideas into sketches



KPMG stress balls



Laura Wright, Elizabeth Maclean and Dascia Bennett



Garry Weaven, Ian Martin, Peter Mitchell, Colin Tate

# CAPTURED



Delegate take their chance for a slam dunk



Delegates relax after lengthy Gonski session

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# AIST TARGETS 40% WOMEN ON BOARDS

Twelve not-for-profit funds have no female representation on them, it was identified by Cate Wood, president of AIST.

The current average female representation on not-for-profit funds is 22 per cent, a figure AIST wants to rise to 40 per cent – a figure symbolically marked by having 40 per cent of female speakers at this year's CMSF.

AIST is helping raise female representation through its Super Springboard training program, which launched in February 2013.

*It makes sense to choose from 100 per cent of the population rather than 49 per cent.*

This gave 19 women the opportunity to learn from women holding prominent positions in superannuation and take them to a knowledge base where they could apply for trustee positions.

The graduation ceremony for the 19 was held on Sunday on the Gold Coast and five of these have already been made trustees.

The five are Lisa Darmanin, Hesta, Harriet Shing, Vision Super, Catherine Bolger, AUSCOAL, Denise Campbell-Burns, First Super and Julie Bignell, Care Super.

A further 14 women are currently take the next course in the Super Springboard programme.

David Gonski gave encouragement to the AIST initiative by stating the best boards he had worked on were those that were the most diverse.

"A board is most effective if it is not made up of people who are the same. We need more women on boards. It makes sense to choose from 100pc of population rather than 49 per cent." ❏



Tom Garcia, AIST chief executive

## BUILD YOUR BRAND OR DIE

AIST launched CMSF with four key messages; to build your brands or face going out of business, to utilise technology, to increase female representation on boards (see article left) and to establish a code of ethics.

AIST chief executive, Tom Garcia opened the conference with the stark message that if super funds did not embrace brand and technology, they will not exist in the medium term.

"It is my firm belief that brand and technology will be the game changer," he said.

"Super funds must decide what brand is, what it represents and how to communicate it. Brand has to connect with consumers on why, not on what."

Garcia also said technology will be a recurring theme at CMSF as he believes funds need to pay more attention to how to best embrace digital solutions and analytics.

In opening CMSF 2014, AIST president, Cate Wood, announced that AIST has launched its code of conduct and ethics which aims to guide trustees in their responsibilities and promote the

high standards of the profit for members superannuation sector.

She said with the potential influx of independent trustees into the sector, the code will ensure that all trustees are equipped with responsibilities and duties of the sector.

*It is my firm belief that brand and technology will be the game changer*

Importantly, she said: "it is to also ensure trustees know that we look after members, not just a product or fund."

At this year's CMSF, AIST is also launching its open mentoring program, and interested parties can sign up for the program at the AIST booth. ❏



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# AIST ANNOUNCES NEW BOARD STRUCTURE

At CMSF, AIST held its annual general meeting and announced new directors, but left the question of a new president unanswered

**A**IST has four new board members following the AGM held prior to the start of CMSF 2014, yesterday.

Sue Gould from UniSuper and David Smith from Energy Super were appointed as trustee representative directors, joining Angela Emslie from HESTA, Gerard Noonan from Media Super, Michael O'Connor from First Super and Cate Wood from CareSuper.

Other new additions were Stephen Pratt from Prime Super as a staff representative director, and Kate Andrews from HESTA as a board

appointed director.

Board members are elected by the membership and each director is elected for a two year-term. Half the directors retire each year to make way for new members while also allowing for board continuity.

The retiring board members this year were Ann Drohan, Debora Jackson, Robyn Buckler and Alix Sachinidis.

The new board will elect the AIST president (currently Cate Wood) and vice president on April 17. Wood will not be standing for re-election. 



Cate Wood, president of AIST

## SPONSORED EDITORIAL

# EVOLUTION OF INFRASTRUCTURE INVESTMENT

Superannuation funds are entering a perfect storm of events to step-up and support infrastructure investments in both developed and emerging countries, says Stu Glen

**G**lobally \$50 trillion of infrastructure investment is required by 2050 and an additional \$45 trillion of infrastructure investment will be required to combat climate change.

Speaking at CMSF yesterday Michael Hanna, head of Infrastructure - Australia, IFM Investors, commented that investors have a "myriad of choice" with unprecedented levels of activity in Australia currently. And that the way a fund accesses infrastructure investments will have a significant impact on the requirement for it to understand the bid process, governance

frameworks and ongoing maintenance and reporting.

The attractions of investing in infrastructure for Hanna included:

- monopoly like characteristics
- long asset lives and;
- often inflation linked returns

Jordan Kraiten, investment manager - infrastructure, HOSTPLUS commented that his younger member demographic reduces illiquidity constraints and allows HOSTPLUS to tilt its asset allocation towards infrastructure investments as opportunity arises.

Lorraine Roberts, Director Superannuation Funds NAB commented that as one of

Australia's leading infrastructure banks, the NAB is ideally placed to support superannuation funds in investing in infrastructure both locally and globally.

NAB provides services right through the value chain from advisory, project finance lending, currency and interest rate hedging, loan syndications and access to global capital markets.

For infrastructure funds, NAB also provides lending, capital call and guarantee facilities plus hedging services.

**Stu Glen is head of superannuation funds for NAB**

### CMSF attendee poll

67% attendees saw more opportunities to invest in infrastructure over the next two years

### Superannuation Funds investment choice methodologies

38% invest through pooled funds

13% invest direct

19% co-invest

31% have a mix of investment.

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## BY THE NUMBERS

100

The number of super grads since inception.

12

The number of not-for-profit super funds that still do NOT have a woman on their board

## CMSF NUMBERS

1100

Delegates

126

Speakers &amp; chairs

40%

of delegates are women

40%

of speakers are women

GREATER THAN SEVEN AND LESS THAN 15 IS THE IDEAL NUMBER

THE IDEAL BOARD SIZE ACCORDING TO DAVID GONSKI



PICK OF THE TWEETS

**Roz Madsen @unionheavy Mar 24**

"Impressed that 40 pc of speakers and 40 pc of attendees at CMSF are women. Important for women to be seen & heard @CMSF2014

**CMSF 2014 @CMSF2014 Mar 24**

Ever wanted to be on the cover of @ConexusF magazine? Get down to their booth for your photo shoot! pic.twitter.com/u4FFlxw05N

**Fiona Reynolds @Fireynolds Mar 24**

Excellent news "@IndustrySuper: Cormann freezes #financialadvice changes http://bit.ly/1dFu34l #CMSF14 #superannuation"



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**Editor – David Rowley**  
david.rowley@conexusfinancial.com.au  
(02) 9227 5723

**Journalist – Amanda White**  
amanda.white@top1000funds.com  
(02) 9227 1114, 0417 462 837

**Sales director – Sean Scallan**  
sean.scallan@conexusfinancial.com.au  
(02) 9227 5719, 0422 843 155

**Production editor – Bruce Koehlitz**  
brucek@kodedesign.com.au  
0409 299 052

**Photography – Matt Fatches**  
mattfatches.com.au

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Level 1, 1 Castlereagh Street, Sydney NSW 2000



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