30 YEARS STRONG

BUSSQ
building super

OUR HISTORY

SUCCESS - DESPITE THE ODDS!

By Greg Shannon, OAM

FOREWORD

Tom McDonald, former National Secretary, Building Workers Industrial Union

BUSSQ's history represents an important chapter in the great struggle by the Australian Labor movement to achieve universal superannuation, based on full vesting rights and work-life portability, for all Australian workers, including those in the building and construction industries.

This amazing situation only came about because the visionaries in the Labor movement back in the early 1980s recognised that the Australian aged pension system was incapable of providing a retirement income to enable workers to live a good and fulfilling life in retirement. This goal was only achievable through a universal superannuation system.

In 1984 the building unions and the ACTU waged a national campaign that achieved superannuation for building workers throughout Australia. The first of which was in Queensland, the Building Unions Superannuation Scheme (BUSS), later to become CBus. The initial response by employers varied from all-out opposition to unqualified support.

The Bjelke-Petersen Government in Queensland, however, eventually opposed the national scheme and legislated to prevent it operating in Queensland. In response, BUSSQ was born and this history documents how events unfolded. All involved with BUSSQ, then and now, are to be congratulated. Importantly, because of BUSSQ's existence the goal of universal superannuation for all Australian building and construction workers was achieved.

The nuances and politics of the building and construction industry in Australia are often complex and varied. They can be difficult to comprehend to an outside observer and sometimes it will take a special individual to pull together the opposing interests and tensions. Greg Shannon shows that he has this ability and as a result he has produced an articulate and interesting history of the events that transpired over 30 years. He is to be warmly congratulated on his achievement.

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INTRODUCTION

BACKGROUND

The Building Unions Superannuation Scheme (Queensland), BUSS(Q) for short, until recent times when the brackets were dropped for ease in a digital age, was established in 1985 in unique circumstances. By any measure it has been an outstanding success story and has become an industry leader in an industry sector, which is now a very important component of the Australian economy. As at June 2015, there was just over $2.4 trillion in funds under management[1] in Australian super funds.

> "But to make superannuation work in a volatile construction industry back in the 1980s, where most workers were itinerant and 'followed the job', was always going to be a challenge."

Superannuation, as a form of savings, is not new. It has existed in Australia for more than a century. For most of the time, however, it applied to a minority of workers, generally higher paid white collar staff in large corporations, employees in the finance sector, public servants and members of the Defence Force. In the 1970s superannuation started to become more widely available as a result of claims lodged in the industrial relations arena. Today, particularly with the introduction in 1992 of the Australian Superannuation Guarantee, there is universal superannuation in Australia.

But to make superannuation work in a volatile construction industry back in the 1980s, where most workers were itinerant and 'followed the job', was always going to be a challenge.

Nevertheless, in 1983, following the rejection by the Full Bench of the Australian Conciliation and Arbitration Commission of the building industry wages accord, there were moves nationally by building unions, assisted by the ACTU, to bring the whole industry under a single national scheme.

1 Australian Bureau of Statistics (ABS) 'ISSUE' 5655.0 – Managed Funds, Australia, June 2014.

As a result, in 1984, 'BUS', now CBus (Construction and Building Unions Superannuation Scheme) was created and quickly grew to 33,000 members, including a number of Queensland construction workers, who were working for (mainly) large employers responding to a Federal Award[2].

Sir 'Joh' Bjelke-Petersen

Queensland Premier, the late Sir 'Joh' Bjelke-Petersen, however, was going to have nothing of it. He would not countenance the savings of Queensland construction workers going south to be controlled by national union leaders. Legislation to 'outlaw' the national initiative, in the form of the *Superannuation Trust Funds (Protection of Employee Entitlements) Act 1984*, was quickly drawn up to enforce the decision.

"Legislation to 'outlaw' the national initiative, in the form of the *Superannuation Trust Funds (Protection of Employee Entitlements) Act 1984*, was quickly drawn up to enforce the decision."

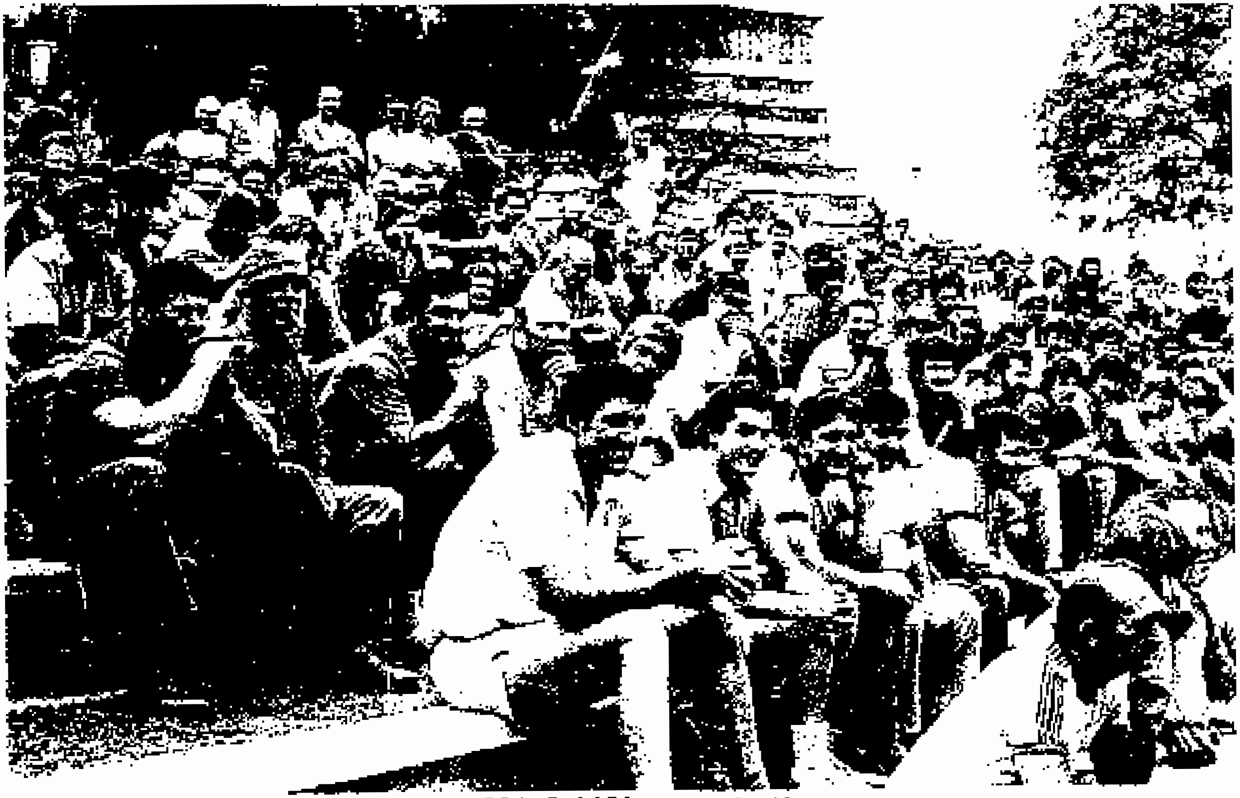
However, an opportunity arose for Queensland construction industry leaders, and a conspiracy of sorts evolved, to establish BUSSQ despite substantial opposition from the unions at a national level.

Hence, there is a story to tell! And, in December 2012, the Directors of BUSSQ decided that the history of the Fund should be recorded. This is timely, given that 30 plus years down the track all the major players over this period were still available to contribute.

2 Interview with Garry Weaven, Chairman Industry Funds Management, on 2 July 2013.

"Hands off our Super" BWIU newsletter, 1984.

HANDS OFF OUR SUPER



BRISBANE. OCTOBER 31ST. 1984

Thousands of building workers stop work in south-east Queensland, bringing all construction work to a halt. Massive meetings in Brisbane and the Gold Coast of well over 2000 members condemn State Government attempts to deny industry superannuation to building workers and endorsed the establishment of a state wide, portable super scheme in Queensland.

SUPERANNUATION IN AUSTRALIA

HISTORY

As mentioned earlier[1], superannuation as a form of retirement savings has existed for more than a century in Australia. However, from the 1970s superannuation started to become more widely available as a result of claims being lodged in the industrial relations arena.

"...from the 1970s superannuation started to become more widely available as a result of claims being lodged in the industrial relations arena."

The advent of institutionalised employee superannuation began in September 1985 when the Australian Council of Trade Unions (ACTU), as part of its National Wage Case claim with the Australian Conciliation and Arbitration Commission, later reorganised in 1988 as the Australian Industrial Relations Commission (AIRC/ Commission), sought a three per cent employer superannuation contribution to be paid into an industry fund.

1 Much of this section has been informed by paraphrasing *APRA Insight*, Issue 2, 2007, 'A recent history of superannuation in Australia'.

The Government supported the claim in pursuit of its inflation control objectives and, in February 1986, the Commission announced that it would approve industrial agreements that provided for contributions of up to three per cent to approved superannuation funds. The superannuation funds approved by the Commission were generally multi-employer industry funds jointly sponsored by Trade Unions and employer associations. New Industrial Awards were progressively negotiated under the guidelines established by the 1986 National Wage Case.

Consequently, superannuation coverage rapidly increased from around 40 per cent of employees to 79 per cent in the four years following the Commission's decision. Coverage in the private sector grew from 32 per cent in 1987 to 68 per cent in 1991. In spite of the rapid growth in superannuation coverage, award-based superannuation had a number of problems:

- Nearly one third of private sector employees remained uncovered by 1991
- Not all employees who were entitled to award superannuation received it, in part because compliance could only be enforced through a laborious case mounted with the then Conciliation and Arbitration Commission
- Award superannuation as a universal entitlement did not effectively take into account the significant number of employees who already had some superannuation rights as part of their employment, and
- The three per cent award was too small to provide a significant improvement in retirement incomes for many employees.

The compliance problems associated with award superannuation prompted the Commission in 1991 to reject an application, supported by both the ACTU and the Government, for a further three per cent of salary in award superannuation.

The Commission recommended that the Government convene a national conference on superannuation involving all relevant parties to consider issues such as:

- Non-compliance
- The extension of award superannuation to all awards, including state awards
- Building more flexibility into award-based superannuation
- The extension of superannuation to casual and part-time employees, and
- The role of the Commission in ensuring appropriate levels of retirement income.

The Commonwealth Government did not support this recommendation but instead announced that from 1 July 1992, under a new system to be known as the 'Superannuation Guarantee' (SG), employers would be required to make tax-deductable contributions for all their employees to a 'complying' superannuation fund.

SUPERANNUATION GUARANTEE

The need to establish compulsory retirement savings for Australian workers was driven by the economic imperative that without such savings there would be a huge drain on the existing Government pension system, particularly as and when the 'baby boomers' reached retirement age. The existing pension system would not be able to sustain demand.

Paul Keating, 24th Prime Minister of Australia and leader of the Labor Party (1991-1996)

Source: Image courtesy of National Archives of Australia: A6135, K27/7/93/59

It is fair to say that the 'architect' of the Superannuation Guarantee was the then Federal Treasurer, later Prime Minister of Australia, the Honourable Paul Keating. Credit too must be given to the then Secretary of the Australian Council of Trade Unions, Bill Kelty, AC.

"Consequently, with effect from 1 July 1992, all Australian employers were obliged to pay an amount of three per cent of an employee's wages into a complying fund."

Prior to July 1992, while there were reasonably widespread superannuation arrangements in place as part of industrial awards, former Prime Minister Keating was convinced by the ACTU[2] that because of emerging changes in demographics (mainly that people were going to live longer), the resultant financial impact would severely stretch the Australian economy.

Consequently, with effect from 1 July 1992, all Australian employers were obliged to pay an amount of three per cent of an employee's wages into a complying fund. The amount would rise over time to nine and a half per cent by July 2002, and nine point five per cent from I July 2014. Legislation to increase the levy to 12 per cent by 2020 was deferred by the Abbott Coalition Government. Small wonder that former Prime Minister Keating, over many years, has been critical of governments of all political persuasions for their apparent reluctance to increase the compulsory rate earlier and higher. He argued (in 2006), "that had the compulsory rate been 15 per cent since 1996, rather than the current nine and a half per cent, total superannuation assets in Australia would be approaching two trillion dollars[3]". At that time it would have been difficult to factor in the full effects of inflation and economic growth, but the sentiments are relevant. Notwithstanding, as at June 2015 the Australian superannuation funds industry has grown to become the fourth-largest private pension fund market in the world[4].

2 Op cit, Interview with Garry Weaven, 2 July 2013.

3 'Lateline' – Tony Jones speaks to former Prime Minister, Paul Keating, broadcast 13 September 2006, ABC.

4 Ibis World, Superannuation Funds Market Research Report (ANZSIC K6330) Sep 2014.

Few would argue that the Superannuation Guarantee has not been a success. It has provided for:

- A major extension of superannuation coverage to employees previously not covered by superannuation
- An efficient method of encouraging employers to comply with the obligation to make (superannuation) contributions on behalf of their employees, and
- A mechanism by which the level of employer superannuation could be increased over time, consistent with the Government's retirement income policy objectives and the economy's capacity to pay[5].

As a consequence, all superannuation funds, BUSSQ and its members included, have benefitted as a result of the existence of the Superannuation Guarantee Legislation.

Interestingly, former Prime Minister Keating retains his demonstrated passion and prescience over superannuation matters. In a speech to the Association of Superannuation Funds of Australia (ASFA) in Sydney in November 2012, he called for the Superannuation Guarantee to be lifted to 15 per cent of salary, with the additional money used to set up a Federal Government pool to help fund the 'second phase of retirement' for people over 80.

"As a consequence, all superannuation funds, BUSSQ and its members included, have benefitted as a result of the existence of the Superannuation Guarantee Legislation."

He said, "The policy promise of superannuation is understood by people as about having a good retirement, but the fact that people are living longer means that the promise cannot be fulfilled." He commented further, "there was a need to increase the compulsory levy beyond the currently planned (now deferred to 2020) move from nine per cent to 12 per cent; it should be further increased to 15 per cent because Australians were living longer, with men expected to live into their 90s and many women likely to live until they are 100[6]."

REGULATIONS AND LEGAL FRAMEWORKS

It is unsurprising, that against the background of huge amounts of money tied up in a vast array of investment portfolios, that Governments have provided a comprehensive legal and regulatory framework to ensure maximum protection for the interests of members of superannuation funds. This history will do no more than flag the pertinent areas.

The overriding piece of legislation, the *Superannuation Industry (Supervision) (SIS) Act*, was introduced in 1994 to ensure specifically that monies managed by what had become a plethora of funds, were managed to maximise the retirement benefits of Australians. The legislation included measures that:

5 *APRA Insight*, Issue 2, 2007.

6 'Paul Keating calls for 15% super levy as workers live longer', Glenda Korporaal, *The Australian*, November 28, 2012.

Workers on the Suncorp Stadium, circa 2002.

- Required superannuation Trustees electing to be regulated to be subject to the Commonwealth's Corporations or age pensions powers under the Constitution
- Set out the basic duties and responsibilities of Trustees and ensure they had adequate powers to carry out these responsibilities
- Improved disclosure and regulatory reporting requirements
- Expanded the roles performed by auditors and actuaries, and
- Introduced more direct enforcement powers and improved audit resources for the Insurance and Superannuation Commission[7].

Prior to 1998, enforcement of the legislation was conducted through the Insurance and Superannuation Commission and the powers of the Commonwealth through Corporations Law. However, following an inquiry into Australia's financial system in 1996/97, the Government supported the major recommendations of the inquiry, which saw:

- The creation of the Australian Prudential Regulation Authority (APRA), and
- The creation of the Australian Securities and Investment Commission (ASIC).

The former was to supervise the banking, superannuation and insurance sectors; the latter to supervise the whole financial services industry. Both continue in their respective roles today.

APRA commenced operations in 1998. The major changes which have evolved since the introduction of APRA are:

- Trustees are required to be licensed by APRA if they wish to remain as Trustees of APRA -regulated superannuation funds
- Mandatory risk management frameworks must apply for both a fund's Trustees and the funds under Trusteeship, and
- New operating standards covering fitness and propriety, adequate resources and outsourcing have also come into effect[8].

A further regulatory body, is the Superannuation Complaints Tribunal (SCT), which administers the *Superannuation (Resolution of Complaints) Act*. This Act allows for the resolution of complaints between a member and a superannuation fund, but only after all other avenues of resolution have been exhausted.

7 *APRA Insight*, Issue 2, 2007.

8 *APRA Insight*, Issue 2, 2007.

TYPES OF FUNDS AND EMPLOYEE CHOICE

To understand fully the superannuation environment it is important to describe the types of funds that exist in Australia. There are essentially two classifications of funds: defined benefit funds and accumulation funds. The former have been around since superannuation funds began (in 1982/83, 82 per cent of employees were covered by defined benefit funds[9]). Most Government funds were created as such.

As the name implies, defined benefit funds provide for specific benefits accruing to members and most are indexed to rises in the Consumer Price Index (CPI) or other adjustment mechanisms. Clearly these would have little attraction to employers obliged to contribute under the provisions of the Superannuation Guarantee because of the uncertain costs and administrative complexity.

As a result, accumulation funds originated with the key difference being the liability can be calculated and fund members bear all the risk. Investment earnings and losses are debited or credited to members' accounts. Additionally, members can have a say in the investment options. It is this shift of risk to fund members, away from the employer, that has seen a decline in defined benefit funds both in Australia and overseas.

Over time there have also been changes in the matter of choice. In most awards of the day, the superannuation fund to which employees' contributions were directed was specified in the relevant award. With the introduction and maturing of the Superannuation Guarantee, in other than award situations, employers were able to nominate a list of five funds with a 'default fund' to which, unless an employee requested otherwise, contributions would be directed. The fund simply had to be a designated APRA 'complying' fund. As from 1 July 2005, after many years of apparent inaction, legislation came into effect that allowed employees to nominate any complying fund. Or if no fund was chosen the employer could direct the contributions into the default fund.

Against this backdrop, seven main types of superannuation funds exist. They are:

- **Industry Funds** – multi-employer funds run by employer associations and unions, run solely for the benefit of members.
- **Retail Master Trusts** – multi-employer funds run by financial institutions for groups of employees.
- **Retail Funds/Wrap Platforms** – funds run by financial institutions for individuals.
- **Corporate Superannuation Funds** – funds established by employers for their employees (each fund has its own trust structure).
- **Self-Managed Superannuation Funds** (SMSFs or Do-It-Yourself Funds) – funds established by a small number

9 *APRA Insight*, Issue 2, 2007.

of individuals (fewer than five). Members have the same responsibilities as a Trustee and they are regulated by the Australian Taxation Office.

- **Small APRA Funds (SAFs)** are funds established for a small number of individuals (fewer than five) but unlike SMSFs the Trustee is an Approved Trustee, not the member/s, and the funds are regulated by APRA. This structure is often used for members who want control of their superannuation investments but are unable or unwilling to meet the requirements of Trusteeship of an SMSF.
- **Public Sector Employees Funds** are funds established by governments for their employees[10].

Interestingly, SMSFs are now the largest segment of the superannuation industry by value[11].

OVERSEAS EXPERIENCE

A history of Australian superannuation, and any judgement as to Australia's relativity in terms of world ranking, must contain some information on the rest of the world. Put simply there are myriad overseas models. To summarise them would be complex and would probably require as many words as in this history.

Research, however, reveals that Australian superannuation has earned a strong international reputation; it is ranked third in the world, behind only Denmark and the Netherlands, against the three key features of adequacy, sustainability and integrity[12]. Australia's superannuation system is considered highly effective and internationally respected.

That is not to say that changes, or new directions, won't need to be made in future if former Prime Minister Keating's opinion on changing demographics is accepted. But any change must be measured against its capacity to improve the adequacy, sustainability and integrity of the superannuation system and hence its capacity to improve the wellbeing of Australians in retirement[13].

10 'Superannuation in Australia' – Wikipedia, February 2013.
11 *APRA September 2010 Quarterly Superannuation Performance*, 9 December 2010.

12 Mercer Global Pension Index, October 2012.

13 Future Challenges: Australia's Superannuation System, Address by Dr Martin Parkinson, PSM to the national conference of the Association of Superannuation Funds of Australia, October 2012.

Queensland Origin team visit Suncorp Stadium.

THE BIRTH AND GROWTH OF BUSSQ

THE EARLY YEARS

Vince Dobinson, one of four founding fathers

This history commenced with the assertion that BUSSQ has been a great success story in an industry that doesn't see a lot of favourable publicity. And it's true!

The birth of the Fund was the result of an 'accident', a lucky chance in the historical process of change. It was a classic example of four 'good' men grasping the nettle: the late **Vince Dobinson**, the then State Secretary of the Queensland Branch of the Builders' Labourers' Federation (BLF); **Hugh Hamilton** AM, the then State Secretary of the Queensland Branch of the Building Workers Industrial Union (BWIU now the CFMEU); **Des Hodgman**, the then Executive Director of the Queensland Master Builders' Association (QMBA); and the Hon **Neville Harper**, MLA, Minister for Justice and Attorney General.

"The notional increase was made up of $9.00 superannuation contribution, $1.00 for compulsory death insurance cover and $1.00 for administration."

BUSSQ was the outcome of considerable wheeling and dealing, and indeed, was a conspiracy of sorts aimed principally at frustrating the gathering tide from the 'south' for the benefit of Queensland building workers, even though, as cited earlier, there were Queensland building workers who were members of the national fund by virtue of prevailing Federal award provisions on some Queensland projects.

At the same time the Queensland Confederation of Industry was also pushing for Queensland workers to be able to have a Queensland superannuation fund. In fact, they lobbied the State Government of the day to bring in legislation that opposed national super.

Eventually, in the period 1983/84, agreement was reached nationally among the building unions, (although initially not supported by the national office of the BLF as they wanted a straight pay rise[1]) to apply for an increase in workers' remuneration by $9.00 per week (as an allowance) but the increase was to be foregone and paid into a worker's superannuation account instead. The notional increase was made up of $9.00 superannuation

1 Op cit, Interview with Garry Weaven, 2 July 2013.

contribution and $1.00 each for compulsory death insurance cover and administration, a total of $11.00. Superannuation for building workers prior to this was quite rare. The initiative gained support and approval in Victoria and New South Wales, provided the money raised was paid into a national superannuation scheme, the then BUS (now CBus).

Gary Weaven

This scheme was sponsored by the ACTU and led by Garry Weaven, the organisation's 'Superannuation Officer'. A campaign to extend the same provisions into Queensland was launched around the industry in building sites across the state. A gimmicky 'nine dollar bank note' was even used as a promotional tool to fire up workers' support.

However, the Premier at the time, Sir 'Joh' Bjelke-Petersen, who had a reputation for 'hating' anything and anyone south of the Queensland border, vigorously opposed the proposal. He made a huge public issue of the fact that southern "foreigners" and indeed "communists" like Normie Gallagher, Pat Clancy and Tom McDonald, well-known Victorian and NSW union representatives, who were on the Board of Directors of the national BUS, would never be given the right to control any monies that came from Queensland workers.

The Premier decided the scheme would be stopped at the border! Legislation to outlaw the national superannuation scheme in Queensland was passed by the Queensland Parliament and became law[2]. Proposed penalties for contributing to or belonging to a 'southern' fund were a $10,000 fine for an employer and a $1,000 fine for an employee.

"Legislation to outlaw the national superannuation scheme in Queensland was passed by the Queensland Parliament and became law."

For a while a stalemate existed, but then, a shrewd State Minister for Justice and Attorney General, Neville Harper, MLA (who was sympathetic to employee superannuation and of the view that "government employees had it, why not building workers?"), came up with a proposition. The scheme would be acceptable if Queensland Board membership was solely made up of Queenslanders and the scheme was registered in Queensland. This would be consistent with the provisions of the new law.

2 *Superannuation Trust Funds (Protection of Employee Entitlements) Act*, No 80 of 1984, assented to 26th October 1984.

Hon. Neville Harper, MLA, one of four founding fathers

The proposal was bounced off the Premier, who surprisingly agreed. He apparently assumed that the Queensland unions would never agree to the Attorney General's proposal because the national unions would not allow them to break ranks by forming a state based superannuation fund. Indeed, the Premier was right about the national unions, because as soon as they got wind of the fact that the Queensland unions were giving favourable consideration to the offer, they put enormous pressure on those unions, saying more or less that if they went down the path of a state based superannuation fund the Queensland officials were nothing more than "class traitors selling out their mates[3]". There were similarly critical rumbles from other Queensland unions, with "stop the BWIU and the BLF from setting up a Queensland scheme", being the cry.

In any event, after many employees saw what was eventually achieved by BUSSQ, they too deserted the national campaign and signed up for the Queensland 'brand'.

The ACTU and the national building union executives continued to oppose the Queensland initiative for more than a decade, claiming Queensland building workers should be part of the national superannuation scheme, CBus.

Meetings of building workers were held in Brisbane and on the Gold Coast with the Brisbane meeting organised by Hugh Hamilton AM and Vince Dobinson. The meeting was held in Albert Park where it was recommended that the workers agree to the setting up of a Queensland fund by supporting the Queensland Attorney General, Neville Harper's proposal. Records show that the resolution was carried, although there is a view the resolution did *not* get up on a show of hands. The resolution on the Gold Coast was actually defeated[4].

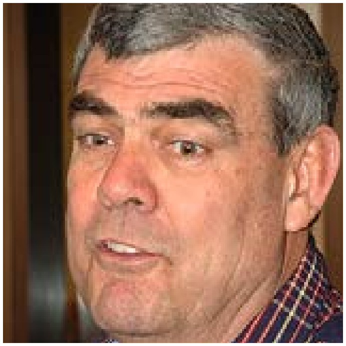
The central issue for the Queensland unions, in particular the members of the BLF, was

3 Interview with Hugh Hamilton AM, past State Secretary of the BWIU (now CFMEU) and original director of BUSSQ, 26 April 2013.

4 Interview with Wallace Trohear, past State Secretary of the CFMEU (Qld) and a BUSSQ director, 26 April 2013.

not so much who would control the scheme but whether a superannuation scheme should actually be introduced. The opposition came from a section of Queensland building workers who were quite sceptical about the notion of foregoing a pay rise and seeing it being diverted into some 'mystical', and to them, 'distinctly vague' benefit which would not be available until a worker turned 65. There was suspicion that this was just another example of 'sleight of hand by the bosses'! It took some effort to convince many workers that superannuation really was a benefit to them[5].

A further phenomenon regarding resistance by the workers, which was actually fairly widespread, was that a significant number of workers baulked at the requirement to sign the BUSSQ Trust Deed because it could facilitate a paper trail to the 'dreaded tax-man'. Many workers (and employers) at the time operated purely on a cash basis, often working under different names; many couldn't sign their name either! It was a conundrum. It took Pat Purcell (a BLF Organiser at the time), considerable effort to convince workers to sign and he personally filled out the BUSSQ form for many workers.



Pat Purcell

The rest, as they say is history. Hugh Hamilton and Vince Dobinson went directly from the meeting in Albert Park to the QMBA and picked up Des Hodgman. The delegation then went to the Attorney General's office, completed the necessary paperwork and BUSSQ was born.

This all happened over a period of 10 days with the co-operation of the Attorney General and his staff. The Trust Deed for BUSSQ was signed on 30 November 1984, and received approval from the Queensland Registrar of Superannuation Trust Deeds. The original signatories (and first Trustees) were Hugh Hamilton AM, Vince Dobinson, Des Hodgman, Bob Lette, Lance Horwood and Paul Richards. Bob Lette remains as a Director of the Corporate Trustee to this day.

BUS (QLD)
BUILDING UNIONS SUPERANNUATION SCHEME (QLD)

BUSS(Q)

Two of BUSSQ's first logos

5 Interview with Greg Simcoe, past State Secretary of the BLF Queensland and a BUSSQ director, 9 April 2013.

Hugh Hamilton AM, one of four founding fathers

NERVOUS FIRST STEPS

Following the signing of the Trust Deed it was necessary to obtain formal approval and endorsement of the actions taken so far from the executive of the 'building trades group of unions'. This was obtained at a meeting on 3 December 1984 at Construction House, 130 Petrie Terrace, Brisbane. Present at the meeting were: Hugh Hamilton AM, Vince Dobinson, Hughie Thomson, Bert Wigchert, Mark Hickey, Jeff Knight, W (Joe) Harris, Rod Hunter, John Thompson, Paul Webb, Daryl Podge, Jeff Latimer, Kevin Loughlin and Rod Greenhalgh. The meeting approved the actions taken so far and confirmed Hugh Hamilton AM and Vince Dobinson as the unions' nominations as (first) Trustees of BUSSQ.

In respect to Trustees, the Trust Deed provided for the following:

(a) Two persons representing the Employers being one person appointed by the Queensland Master Builders Association (Union of Employers) ("the QMBA") and one person appointed by the senior representative in Queensland of the Australian Federation of Construction Contractors ("the AFCC").

(b) Two persons representing the Members nominated, appointed or elected by the controlling bodies of the following organisations ("the Unions"):

The Amalgamated Society of Carpenters, Joiners, Bricklayers and Plasterers of Australasia, Union of Employees, Queensland; Australian Building Construction Employees and Builders Labourers' Federation (Queensland Branch); Operative Painters and Decorators Union of Australia; Plumbers and Gasfitters Employees' Union of Australia (Queensland Branch); Trades and Labour Council of Queensland.

(c) Two independent persons who shall be appointed by the QMBA and the said representative of the AFCC of the one part and the Unions of the other part[6].

Accordingly, the QMBA nominated Des Hodgman and the AFCC nominated Lance Horwood. The two independent Trustees were Bob Lette, nominated by the QMBA and the AFCC and Paul Richards by the Unions. As mentioned previously, Bob remains a Director to this day. Thirty plus years is a commendable effort!

A full list of all the Trustees/ Directors since the inception of the Fund, and their period of service, can be found on pages 72 and 73.

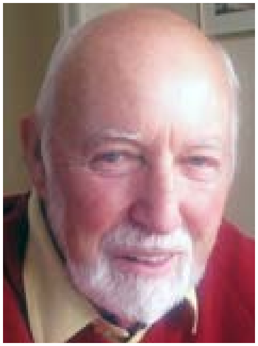
The first formal meeting of the Trustees occurred on 17 December 1984 at QMBA House, Wickham Terrace, Brisbane. Also present at the meeting, at the invitation of the Trustees, were Garry Weaven from the ACTU and Steve Schubert, who worked for Colonial Mutual Life, the Fund's first administrator.

At this meeting, Vince Dobinson was elected as the inaugural Chairman of the Board and Des Hodgman was elected as the Secretary and Public Officer. Arthur Rogers, who had worked for the Firefighters' Union, was employed as the Fund's first Coordinator and Ms Brenda Campania (later Hodgman) was employed as a Clerical Assistant. Important decisions taken at this first meeting included:

- *That the scheme be established as an exempt fund under Section 23 of the Income Tax Assessment Act to ensure participating employers could obtain an income tax deduction*
- *That Jacques Martin Industry, a subsidiary of Colonial Mutual Life be appointed as the (first) Administration Manager and Investment Manager and be authorised to operate a bank account for the Fund (an interesting aside is that The Colonial Mutual Life Assurance Society Limited was founded in Melbourne, Australia in 1873. The first Chief Manager was Thomas Jacques Martin[7]!)*
- *That Price Waterhouse be appointed the Fund's Auditor*
- *Approving regulations relating to a definition on when a member is considered to have 'left the industry'*
- *That Victory Reinsurance Company of Australia Ltd be contracted to provide life insurance for members of the scheme*
- *That initially, employers, to be accepted into the scheme as participating employers, needed to be performing work in the building construction industry where the work was carried out by members of the participating unions*

6 Declaration of Trust Building Unions Superannuation Scheme (Queensland), dated 30 November 1984.

7 Interview with Neil Harvey, Managing Director, Independent Fund Administrators and Advisors (IFAA), and later BUSSQ Administration Manager, 14 May 2013.



Des Hodgman, one of four founding fathers

- *That employees to be accepted into the scheme needed to be members of the participating unions or who were eligible to be members. Officers and employees of the unions were also accepted. (There was a proviso that members of other superannuation funds seeking membership would not be accepted unless specifically approved by the Trustees.), and*
- *Contributions into the scheme would be accepted as from 1 January 1985*[8].

"...the national BUS scheme had a current membership of over 30,000, and that the current BUSSQ membership, as at 1 February, was 3,195 members and the number was increasing by hundreds of applicants each week..."

The second meeting of the Board was held on 11 February 1985, just six weeks after the 1 January date of commencement for contributions. At the meeting, Steve Schubert reported that the national BUS scheme had a current membership of over 30,000, and that the current BUSSQ membership, as at 1 February, was 3,195 members and the number was increasing by hundreds of applicants each week - not a bad start.

The Board's priority was to grow the membership to be inclusive of as many Queensland workers as possible, including encouraging those members already in the national scheme to transfer over. The Board also resolved that workers should not be compelled to transfer from any other scheme.

It was abundantly clear to the Board that they had taken on a huge responsibility to not only increase and encourage the Fund's membership, but also to manage members' contributions so that maximum returns on investments were achieved.

8 Minutes of the first meeting of the Board of Trustees held on 17 December 1984.

BOARD PROFESSIONAL DEVELOPMENT, EDUCATION AND TRAINING

The capability and capacity of the Board, both individually and collectively, must have been a question foremost in many peoples' minds. How were they going to become 'instant experts' in the intricacies of running a modern superannuation fund? At the time in 1984, General Trust Laws governed the duties and responsibilities of Trustees. Trustees were liable under law for any breaches of obligations. Superannuation Trustees' principal obligation was to ensure that superannuation monies were, as a minimum, invested prudently and returned a yield on the investment. As with most things, this was easier said than done. So how did the original and subsequent Trustees, later Directors, become proficient in superannuation matters? It is a reasonable question.

According to Lance Horwood, at the time there was no specific training for Trustees. Rather, there was just the imperative of getting the Fund up and running and relying on business judgement and common-sense. The principal objective was for the Managers (the Trustees) to 'manage' the Investment Manager (Colonial Mutual)[9]. Vince Dobinson confirmed this and added that the Trustees had great confidence in Steve Schubert who, at the time, worked for Jacques Martin Industry, the initial Investment Manager. According to Vince Dobinson, "he produced some great crediting rates in those early days[10]".

The BUSSQ Trustees/Directors, however, did recognise as far back as 1996 that the role of a Director could not be considered just a 'part time' occupation; professional development and training were not features of good governance that could be left to chance. Increasingly around this period, Federal corporation laws were being strengthened to ensure that Directors of companies (read Trustees) accepted that their responsibilities to shareholders were far-reaching and onerous. There was a growing list of well-known and not so well-known Directors being prosecuted and punished for their failure in relation to their fiduciary duties.

The BUSSQ Directors took every opportunity to keep themselves acquainted of changes to legislation and their investment and fiduciary responsibilities. Directors regularly attended major seminars and conferences in this regard. Each Director is a member of the Australian Institute of Superannuation Trustees.

9 Interview with Lance Horwood, Original Trustee and AFCC representative, on 10 April 2013.

10 Interview with the late Vince Dobinson, past State Secretary of the BLF Queensland and Original Trustee, on 16 April 2013.

Lance Horwood

INVESTMENTS – A FOCUS ON STRATEGY AND RETURNS

From the outset, the principal objective of BUSSQ's Trustees was to see optimal returns to members and their families so that the members could live comfortably in retirement, or be relieved from the inevitable burdens brought about through a member's death or disablement. Therefore, investment strategies were, and remain, a principal focus of the Board since the inception of the Fund in 1985. Initially, the Trustees selected Colonial Mutual Life as their principal Investment Manager, but in 1987, they decided to support two additional Investment Managers, ANZ CAP and Suncorp. The Fund's Administration Manager remained as Jacques Martin Industry. At the time BUSSQ had only two fulltime employees.

> "In fact, for the first three years of operation, the Fund achieved crediting rates of 17.55 per cent, 17.55 per cent and 15.6 per cent respectively."

By this time (December 1987), membership of the Fund had grown to nearly 20,000 members, employer contributions had increased to $24.50 per employee, per week and the assets of the Fund were more than $13 million. This was a strong base but it was threatened by the share market crash, along with many other funds, later that year. However, the effects on BUSSQ were not as significant as many other funds as the bulk of BUSSQ's funds, at the time, were held in capital guaranteed funds[11] pending later investment in shares[12]. A crediting rate for members' accounts of 15.6 per cent was also achieved that year[13]. In fact, for the first three years of operation, the Fund achieved crediting rates of 17.55 per cent, 17.55 per cent and 15.6 per cent respectively. Of particular

11 An investment in which the investor's principal is shielded from losses. With a capital guaranteed fund, any losses experienced by the underlying investments are absorbed by the Fund company, which tends to invest the majority of fund capital in very conservative securities to help minimize the likelihood of losses, a move that also limits return.

12 Ibid, interview with Wallace Trohear, 26 April 2013.

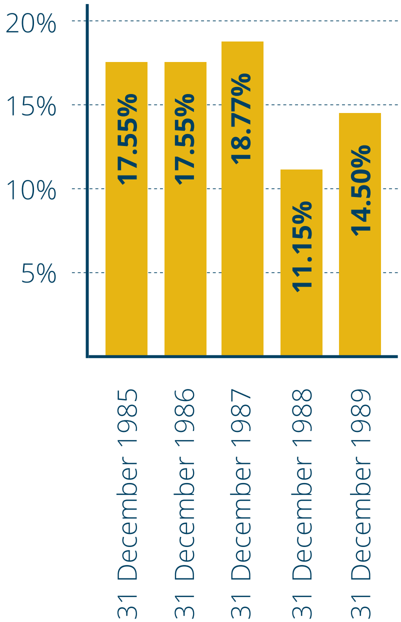
13 1988 Annual Report to members.

satisfaction, was the fact that these returns were better than the national scheme BUS (or CBus as it became) in the same period. It was around this time that the Trustees agreed that the long term benefits of investing in the share market outweighed the risks associated with any short term downturns. This view prevails to this day.

It should be remembered that in Australia in the late 1980s and early 1990s there was a relatively lengthy period of high interest and high inflation. This situation presented Trustees with the opportunity to diversify their investment strategy to include the share market in addition to investments in capital guaranteed funds. Crediting rates for such funds towards the end of the 1980s were in the order of 17 to 18 per cent. By the commencement of the 1990s, BUSSQ's net assets were in the order of $40.7 million and membership had grown to 31,705.

The number of contributing employers was 1,389 and employer contributions had also increased from $24.50 to $30.00 per employee per week.

More importantly, double-digit crediting rates were achieved in each of the first five years of operation[14].



14 1990 Annual Report to members.

Twelve months later total Fund assets had increased to $54.2 million, there were $35,000 members and contributing employers had increased to over 2,500. The annual crediting rate to 31 December 1990 was 14 per cent. Satisfyingly, it was readily apparent that BUSSQ was up there with the industry leaders at the time and remained a low-cost fund where all surpluses were returned to members.

"Satisfyingly, it was readily apparent that BUSSQ was up there with the industry leaders at the time and remained a low-cost fund where all surpluses were returned to members."

Around June 1990, Arthur Rogers (Fund Coordinator) left the Fund and was replaced in October 1990 by Trevor Peterson (who was well known to Des Hodgman) and appointed as Coordinator and Secretary. He brought his experience working in the insurance industry to the administrative area where responsibilities were growing. It was also around this time that Neil Harvey replaced Steve Schubert at Jacques Martin Industry. He had extensive experience in the superannuation industry and the relationship between Jacques Martin Industry and BUSSQ strengthened and grew over many years.

Over the next two years, due to an industry downturn, growth in Fund membership softened and by 30 June 1992 numbers had dropped to just over 32,000 and active contributing employers had correspondingly dropped to 1,250. Pressure was being felt across the board as both inflation and interest rates also dropped and, as was to be expected, this had a consequential effect on activity levels in the industry.

That said, returns on members' investments remained well above other funds. In the year to 30 June 1992 the return to members was 9.75 per cent, some 8.5 per cent above the official inflation rate of 1.2 per cent. BUSSQ was continuing to provide superannuation benefits and returns which were hard to beat anywhere in Australia.

Peter Beattie former Premier of Queensland (1998-2007) being interviewed on the Suncorp Stadium site, circa 2002.

At this time it is worth considering that after seven years BUSSQ had also paid out the following benefits:

Reason for Benefit	Number	Amount	Insurance	Total
Death	34	$84,990	$741,500	$826,490
Total and Permanent Disablement	27	$66,140	$188,150	$254,290
Leaving the industry	2,812	$3,060,185	-	$3,060,185
Transfer to another fund	863	$1,750,907	-	$1,750,907
Retirement	174	$659,984	-	$659,984
Overseas permanently	152	$331,552	-	$331,552
Financial hardship	87	$263,006	-	$263,006
TOTAL	4,149	$6,216,734	$929,650	$7,146,384

Nineteen ninety-two was an eventful year. In addition to the introduction of the Superannuation Guarantee Levy on 1 July 1992, a number of other 'regulatory' changes came into effect. Principal among these was the need to amend the Trust Deed to ensure the Fund complied with the Occupational Superannuation Standards Act (OSSA) and Regulations. BUSSQ needed to be a 'complying fund' if the Fund was to qualify for lower tax rates. Although it had always been a complying fund the qualifying rules, overseen by the Insurance and Superannuation Commission (ISC), needed to be reflected in the Fund's Trust Deed:

- *"Comply with the OSSA rules throughout the financial year*
- *Arrange for an annual audit of the accounts of the Fund*
- *Send a completed 'annual return form' to the ISC to report on the Fund's operations, and*
- *Receive a 'complying notice' from the ISC, which states that the Fund is a complying fund*[15]*."*

It is not difficult to appreciate that compliance is the key to the successful operation of any fund.

15 1992 Annual Report to members, page2.

This was also the first time that, in conjunction with its Investment Manager, the Trustees formalised the investment objectives for the Fund. These were:

- *The Fund should be conservatively invested to give very high security to members' funds*
- *The asset mix should be structured to avoid negative crediting rates in any one year*
- *Crediting rates should at least match the after tax rates of banks and building societies and be at least comparable with other similar funds*
- *Crediting rates should exceed any increase in the CPI by at least three per cent on a rolling three year average, and*
- *An investment fluctuation reserve should be maintained and used to 'smooth' the distribution of member's accounts*[16].

The year also saw, for the first time, employers of the industry's apprentices being formally required to make a contribution on their behalf. From 1 January, ahead of the commencement of the Superannuation Guarantee, employers were required to make a contribution of three per cent of an apprentice's ordinary time earnings. Prior to this, the Trustees had deducted a levy of a $1 a week (initially 50 cents in 1985) from the employer's contribution for adult workers. The amount collected was set aside by the Trustees to provide benefits for apprentices, as determined by the Trustees.

"By the end of 1992, BUSSQ's total investment portfolio stood at $73.8 million, which by now included a mix of capital guaranteed funds, fixed interest, Australian shares and property."

By the end of 1992, BUSSQ's total investment portfolio stood at $73.8 million, which by now included a mix of capital guaranteed funds, fixed interest, Australian shares and property. The Trustees were reviewing the investment strategy to assess if the portfolio mix should include overseas shares.

In 1994, the Fund was required by the regulators to change its structure from a General Trust (governed by State laws) to a Corporate Trustee, BUSSQ Pty Ltd (governed by the Commonwealth's corporation's powers). The ISC had determined that such action was necessary where a fund operated other than solely to provide retirement pensions. BUSSQ by this time had introduced insurance cover as well as retirement pensions. The BUSSQ Trustees as a consequence became Company Directors of the Corporate Trustee.

In 1995 BUSSQ celebrated its 10th anniversary. It had come a long way in that time. Fund membership had grown to 37,893, of whom 14,540 were 'active' members. Regulations had been introduced to delineate between active members and those who were not working in the industry (i.e. inactive accounts with balances of less than $1,000). Provisions also now existed for members whose account balances were less than $1,000 for the amount to be transferred to the Australian Preservation Fund (APF).

16 Ibid, page 5.

At the time, BUSSQ had 7,236 member accounts in this category. There were nearly 1,600 contributing employers and the net assets of the Fund had grown to just over $104 million. Current crediting rates, while not in the same order as had been in the Fund's early years, had averaged 7.45 per cent in real growth above inflation. In a very real sense these were commendable numbers and were the envy of many other industry funds.

At this time, the Directors changed the Fund's investment strategy. While the objectives remained the same, the Directors set a range of allocations for the Fund's investments, which included:

Sector	Range		
	Low	High	Neutral
Fixed Interest	15%	45%	35%
Australian Shares	20%	45%	35%
International Shares	5%	25%	18%
Property	5%	15%	12%
Cash	0%	15%	0%

The asset allocation was achieved through investment in a range of asset classes (which were reviewed and monitored regularly) and by investing with a number of specialist Investment Managers, who were chosen on the basis of their skills and ability to add value against specified performance benchmarks. Normally the amount invested with an Investment Manager would not exceed 10 per cent of the Manager's total assets. The Fund's Directors were then able to adjust the proportion of cash flow going to these Investment Managers in order to control the rate at which the long term asset mix was approached. This gave the Directors better control over the asset mix while potentially assuring higher returns for members.

As stated earlier, the Directors had established a 'reserve' policy, which was initially introduced as a 'rainy day' account. The Directors believed that when investments were earning well it would be prudent to put aside a reserve so that in years of lower crediting rates, the Fund could draw on the reserves to 'top up' the interest paid to members. The Fund's reserving policy required that at least 0.225 per cent of the Fund's assets were to be held in reserve for each one per cent by which the Fund's growth assets (i.e. shares and property) exceeded 15 per cent of total investments. By 30 June 1995, the Fund's reserves were $5,793,070, about 5.9 per cent of Fund assets. It was readily apparent to the BUSSQ's Directors, at this time, that the full-time secretariat and office support needed to expand to continue to ensure Directors' interests were appropriately protected and that the Fund could meet the growing needs and expectations of participating employers and members. As a result, towards the end of 1995 Cheryl Ward joined Trevor Peterson to assist with coordination and in July 1996, Dallas Ezzy came on board as well.

Dallas Ezzy, BUSSQ's Member Services Manager (1996 to date)

Ezzy, who had started his working life as a Merchant Seaman, came straight from the industry where he had been employed as a builder's labourer and delegate for the BLF. He had also, quite coincidently, experience working as an insurance and superannuation salesman for the AMP Society. He was the perfect fit to take the BUSSQ message to the industry workforce and remains with BUSSQ today as the Member Services Manager.

In summary, BUSSQ had become an established and well respected player in what had become a key industry sector. There is little doubt that former Prime Minister Paul Keating's vision was becoming a reality, if not to the same extent that he had envisaged. Regrettably, government 'tinkering' has had a detrimental effect over the years particularly at present, but that outcome is yet to fully unfold. BUSSQ was, however, delivering on its promise to industry workers. Its principal benefits, retirement funds, death benefits and total and permanent disablement insurance benefits were a reality and BUSSQ, a low fee fund, was 'complying' in a rapidly growing regulatory environment.

"In summary, BUSSQ had become an established and well respected player in what had become a key industry sector."

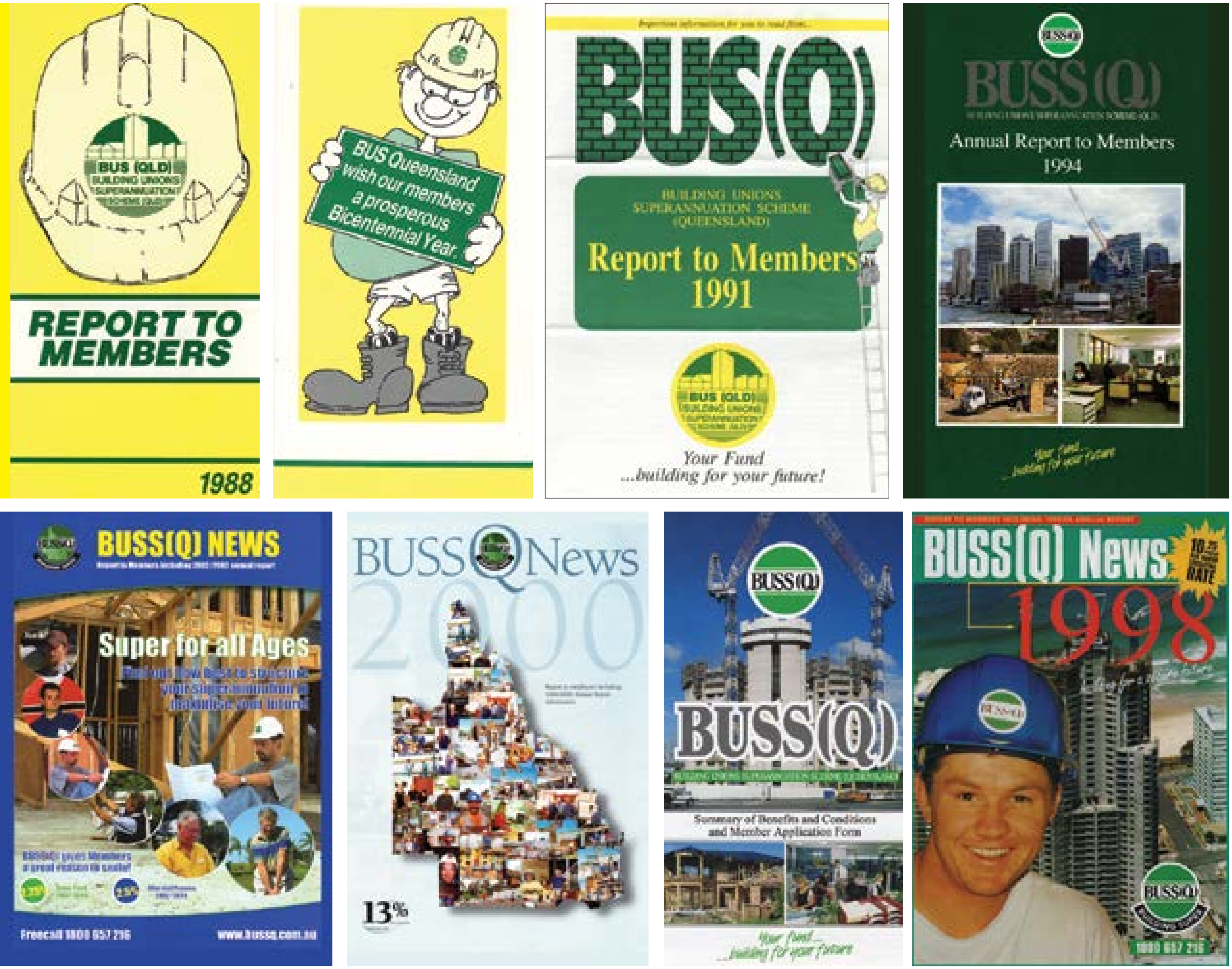
The future is bright for BUSSQ as the superannuation 'champions' for the building and construction industry in Queensland.

BUSSQ Staff (clockwise) Dallas Ezzy, Cheryl Ward, Janette Bragdon & Paul Byrne, circa 1996.

Suncorp Stadium, circa 2002.

BUSSQ's board members

BUSSQ's early communications.



BUSSQ's staff members

BUSSQ staff members 1999/2000 (L-R) Dallas Ezzy, Linda Vickers, Paul Byrne, Cheryl Ward, Janette Bragdon & Gayle Chapman (nee Murphy)

Dallas Ezzy and Bill Hunt talking to members on site, 2007

THE NEXT DECADE

THE NEXT DECADE

Paul Byrne, BUSSQ CEO, 1998 – 2005

The Directors had laid sound foundations for the Fund to grow and prosper into the next decade. While there was only modest growth in 1996, the Fund returned its best year's crediting rate in 1997 of 20 per cent. At this time, since the Fund's inception, the crediting rate average was 13.5 per cent, which, whilst the CPI averaged 4.9 per cent over the period, meant real growth in earnings of 8.6 per cent per annum; well above bank interest at that time. Without over-simplifying the challenge, the Directors really only needed to keep the Fund 'ahead of the pack'. This was done by complying with regulatory changes, managing the Investment Managers and marketing the Fund across the industry.

> "As a result, it was necessary for BUSSQ's Directors to develop strategies to ensure that BUSSQ would be the preferred choice for all workers in the industry in Queensland."

In 1997, the Fund developed its first formal Business Plan. The plan aimed at laying foundations for the Fund's operations into the 21st Century. A major feature of the plan was marketing the Fund not only in the products and services offered, but also in the way in which the products and services were to be offered to members and prospective members. In terms of recruiting new members, 1997 saw Commonwealth Government legislation, which from 1 July 1998, would see new employees being offered a range of five superannuation products by an employer.

The provisions of the legislation would be available to existing employees from 1 July 2000. As a result, it was necessary for BUSSQ's Directors to develop strategies to ensure that BUSSQ would be the preferred choice for all workers in the industry in Queensland. Integral to the strategy was the need to develop Fund membership in regional Queensland. Consequently, regional visits became a feature of the BUSSQ team and Board's annual calendar.

The Directors' efforts were rewarded; so much so that it became apparent that the Fund

Secretariat was not big enough to cope, and in 1998 the Board appointed Paul Byrne as the first General Manager of the Fund and later became the inaugural Chief Executive Officer (CEO). He had a depth of superannuation experience and his principal brief was to structure the organisation to meet the needs of the growing membership, and the equally growing scope of responsibilities of the Directors. The Fund's asset base had grown by now to more than $200 million, a significant amount by any measure.

"The Fund's asset base had grown by now to more than $200 million, a significant amount by any measure."

As they say, 'success breeds success' and in 1998 the Fund was notified that it had the best five year average crediting rate of all industry superannuation funds. This was no mean effort. The Fund also proved to be an organisation that actively sought members' views and introduced what was to become an annual feature - a survey of its members and employers. The surveys were designed to determine what people viewed as being important about superannuation. The results, not unexpectedly, confirmed that members appreciated the death and disablement insurance cover, high crediting rates and low fees. There was also a view that the Fund should seek out a variety of discount offers additional to the already introduced discounted home loans through ME Bank. The Fund undertook to examine other concessional items such as insurance for health and travel.

From an employer perspective the important items were security of funds, low administrative costs, high levels of returns and being easy to deal with; the latter being one for improvement. In particular, there was a widely held view that while employee (and 'some' employer) needs were being handled well by Dallas Ezzy, employers overall felt a tad isolated. An immediate response to employers' concerns resulted in the appointment of Linda Vickers as the first Employer Relations Consultant. She remains a key employee with the Fund today. Her roles have expanded as the Fund expanded and she is now the BUSSQ Chief Executive Officer.

Linda Vickers, current CEO

A further accommodation of the BUSSQ employers' needs was the investment in the Super Business Loans Trust. This enabled participating employers' access to an alternative source of discounted business finance. A range of products was made available, including:

- Commercial loans (up to $10 million) for larger operators
- Leasing and hire purchase facilities, and
- Business loans (up to $1 million) for smaller and medium size operators.

At the time this initiative represented a breakthrough for BUSSQ's participating employers, as the loans could be secured by both residential and commercial property at very modest interest rates of just six and a half per cent. Along with very low fees, this ranked the initiative as one of the cheapest and more versatile products on the market and was a great example of the egalitarian approach that the BUSSQ Directors took in managing the Fund in the interests of all constituents.

A feature that was lacking in the investment profile of most Queensland-based superannuation funds was the direct investment in 'all things Queensland'. This seemed an eminently sensible thing to do as, not only would the Fund be 'buying back the farm', but it would also be creating jobs for Queensland building workers. BUSSQ consulted with a number of other like-minded Queensland superannuation funds and they decided to join together to redress this situation. As a result, BUSSQ initiated the formation of the Queensland Private Capital Fund (QPCF) and is one of five shareholders. The other funds are Sunsuper, Catholic Superannuation and Retirement Fund, Energy Super (formerly Electricity Supply Industry Superannuation (Qld) (ESI)) and Suncorp.

Investments in a number of Queensland projects, including the acquisition as part owners of Coolangatta Airport (ironically, formerly 100 per cent NSW owned), demonstrated the commitment that the QCPF would have to Queensland infrastructure projects. The QCPF is still operating and has an enviable record as one of the best investment funds in Queensland[1]. Additionally, BUSSQ invested directly in the 1999 Carindale Shopping Centre re-build and displayed on-site signage to promote its investment as 'BUSSQ – Your Money at Work'.

1 Op Cit, interview with Neil Harvey.


AIR NEW ZEALAND

$200 million Coolangatta airport upgrade, circa 2013.

The years 1999 and 2000 continued to present the Fund with unique challenges, not the least was the worry of being 'Year 2000' compliant. The world faced the prospect that when clocks ticked over at midnight on 31 December 1999, computers would go into chaos mode. That nothing happened is now history, but at the time considerable energy was spent in dealing with the threat. A mini IT industry flourished! Probably, a more important aspect for Australia's focus was the introduction of a Goods and Service Tax (GST) from 1 July 2000. This was an event that would and did require careful preparation and implementation.

> "The years 1999 and 2000 continued to present the Fund with unique challenges, not the least was the worry of being 'Year 2000' compliant."

But back to 1999; this was an eventful year for the Fund. During the 12 month period the following products and services were introduced:

- Allocated pensions for retirees
- Insurance arrangements for self-employed members
- Improved insurance arrangements for non-manual workers
- Member seminars, and
- More frequent regional visits to service both members and employers.

Allocated pensions were to prove a popular way for members, as retirees were able to receive regular, flexible and tax effective (later income tax free) income. The balance of a member's superannuation account would accrue earnings in the same manner as other members' accounts, but at a higher rate as investment earnings were tax free. Allocated pensions were low cost as they initially cost only $1 per week and one per cent of the value to $500,000 and 'nil' thereafter. Administration fees on allocated pensions ceased altogether in 2006.

In 1999 BUSSQ was acknowledged by its peers when, at the Conference of Major Super Funds (CMSF), the Fund received Gold and Silver Awards for the manner in which BUSSQ kept both members and employers informed by way of the 'BUSSQ News' magazine. There is little doubt that peer recognition is a great motivator and it was very clear at this 15 year point that the Directors of BUSSQ were getting a host of runs on the board; add to this the continuing growth in both members and participating employers. Total assets stood at just over $233 million. Since its inception real growth in investments was evidenced by an 8.52 per cent annual return, significantly above the stated investment objective of a target of CPI plus three per cent. In fact the immediate past five years saw an average crediting rate of 10.65 per cent per annum.

The issue of 'inactive' members was raised earlier. In fact, maintenance of such accounts, in the context of 'member protection' was one of the most significant costs to a fund each year. Super funds were only allowed to charge members with account balances of less than $1,000 a maximum fee of $10, subject to interest earned. As a consequence, in years of low interest, small balance accounts were subsidised by the Fund. In reality, this subsidy came from other members! Overall, these foregone fees totalled many hundreds of thousands of dollars in any one year. It was therefore in both the Fund's interest and members' best interests to efficiently manage this cost. The cost of benefit protection was actually a drain on the crediting rate applied to member accounts for the year.

Accordingly, after two years of maintaining a low balance account it was in the Fund's interest to transfer the balance to an Eligible Rollover Fund (ERF), in BUSSQ's case the Fund was the Australian Preservation Fund (APF). Effectively, the amount could be lost to the member. Paul Byrne took up this problem with the ATO and the APF. As a result, BUSSQ trialled an initiative which evolved into a practice of 'data matching' which enabled BUSSQ to identify its members who had lost monies with either of these organisations.

With this information, prepopulated transfer forms were sent to members requesting them to sign the form and BUSSQ would arrange for the lost benefit to be transferred to BUSSQ. Several thousand of these transfers were arranged, which saw many smaller balances increased to above the $1,000 threshold. This was the start of the 'lost' super initiatives now undertaken by most funds[2].

As the years unfolded, the Directors were always concerned that financial advice was a crucial need that members would require when their superannuation 'nest-egg' was realised. The requirement had been part of the feedback received by the Board in the annual surveys. The Board spoke with many providers to ensure that if advice was to be provided, that it be the very best available and at minimal cost. The Directors believed that advice on investments should include insurance and retirement planning and that the advice should be made available by way of planning seminars across Queensland. As a consequence the Directors chose a panel of two firms, Godfrey Pembroke and Winchcombe Carson. Both firms agreed to conduct an initial consultation for free and fee-for-service subsequently; neither charged commission for the advice.

By the end of the year 2000, BUSSQ's services continued to be refined and added to. Among the new initiatives, negotiations with Medibank Private to offer discounted private health insurance to members proved very popular and yet again showed that the Directors listened to their members and employers. Access to cheaper home loans continued and insurance for self-employed workers was also introduced.

2 Interview with Paul Byrne, past CEO BUSSQ, on 18 June 2013.

But the most important area of responsibility for the Directors continued to be management of the Fund's investments. With assets standing at just under $300 million, the Directors considered it timely to review and publicise how they went about managing this huge amount of money. The basic principle that underscored the strategy was to *"pursue growth while balancing the risks associated with various types of investments*[3]*."* The Board balanced the BUSSQ investment portfolio by strategically diversifying the asset classes it held to manage the risks of market fluctuations while maximising returns.

"BUSSQ's diversified strategy and the regular monitoring of its Investment Managers had, over time, withstood the environment and largely produced competitive results, well in excess of the modest returns that had accrued through bank interest and the like."

The Board appointed a range of specialist Investment Managers to manage the day-to-day investment of assets. The Managers selected by BUSSQ were assessed as having different styles of management within each asset class. As a result, the Fund's investments were diversified according to an investment style as well as across different asset classes. The Investment Managers were chosen on the basis of their skills and were required to implement the Board's strategy and take advantage of market opportunities. The Board in turn regularly monitored the performance of the Investment Managers and replaced them if they failed to meet the objectives set. The Directors found that this approach made it easier to accommodate stock market volatilities across the world and in Australia; although the latter market seemed to fluctuate less. BUSSQ's diversified strategy and the regular monitoring of its Investment Managers had, over time, withstood the environment and largely produced competitive results, well in excess of the modest returns that had accrued through bank interest and the like. As mentioned earlier, in terms of property markets the Board's policy was to invest in Queensland where possible.

In 2003, to complement the Board's investment strategy, members had the opportunity to specify the level of investment risk they were prepared to take. Four options were available:

- Cash Plus
- Defensive
- Balanced (the default option), and
- High Risk

In 2003 the Board decided to change the Fund's Administration Manager. After being with Jacques Martin Industry, (now known as SuperPartners), since the inception of the Fund, the Board moved the responsibility to Australian Administrative Services (AAS). While the relationship with SuperPartners had been a mutually beneficial one, there was the view that after

3 1999/2000 Annual Report

nearly 20 years good governance the situation should be reviewed and put out to tender[4]. AAS was the successful tenderer.

BUSSQ turned 20 years 'young' in 2004/05. The net crediting rate for the year was 13.1 per cent for the Balanced investment option, which over the previous five years had yielded an average of 7.17 per cent. Overall, since the Fund's inception in January 1985 through to 30 June 2005, the crediting rate for the Balanced Growth option was 11.37 per cent. The assets of the Fund had grown to in excess of $883 million and there were over 76,000 members. Participating employers had also grown and at the end of the 2005 financial year there were 4,358. These were big numbers by any measure.

"The net crediting rate for the year was 13.1 per cent for the 'Balanced' investment option, which over the previous five years had yielded an average of 7.17 per cent."

During the year, from 1 July 2005, after many years of evolution, the Government's Choice of Fund legislation came into effect. This did not have a great impact on BUSSQ, as many members were covered by Queensland awards or Enterprise Bargaining Arrangements (EBAs). But given foreshadowed changes to industrial relations laws, it was assessed that this situation in the future could change dramatically.

The year also saw the departure after seven years of Paul Byrne as CEO of the Fund. David O'Sullivan replaced him. He had over 25 years wide-ranging superannuation industry experience as well as experience in investments. There was no doubt, however, that Paul had left BUSSQ in excellent shape and well placed to meet the challenges of the next 10 years.

In many respects, the Fund was at the crossroads. The flow of information between members and the Fund had been made simpler with the introduction of an interactive website. There were more flexible opportunities available to members to invest and it was becoming clearer that

4 Op cit, Interview with Greg Simcoe, 9 April 2013.

BUSSQ Board Members at this time (back L-R) Garry Rossow, Greg Simcoe, Gregory McLean (front L-R) Wally Trohear, Bob Lette, Paul Richards.

worksite interest in superannuation had grown. An individual could even make additional discretionary contributions to their superannuation account.

> "Superannuation was now not regarded as some vague far off benefit. People really did start to take account of where they might be in retirement, when that would occur and how much they might have or need to fund a comfortable retirement lifestyle."

Superannuation was now not regarded as some vague far off benefit. People really did start to take account of where they might be in retirement, when that would occur and how much they might have or need to fund a comfortable retirement lifestyle. 'Adequacy' in retirement was an important principle at the forefront of the BUSSQ Directors' minds. It had become clear to them that the mandated Superannuation Guarantee amount of nine per cent (growing to 12 per cent) would not in reality provide the average worker with an 'adequate' superannuation nest-egg on retirement.

In the industry in Queensland, the unions by way of negotiating wage deals were always pressing employers for increased superannuation contributions. Eventually, the QMBA on behalf of employers, called a halt to this continuing escalation. Their view, conveyed by Graham Cuthbert, was "what about the workers making a contribution?" In discussions with Wally Trohear, representing the workers' interests, a potential 'quid pro quo' was identified. And so, over a beer, and calculations written on the back of a drink-coaster, a formula evolved whereby the workers would match the employers' contribution taking the total contribution to 15 per cent. This figure was determined as the minimum contribution necessary to provide for the 'adequate' retirement nest-egg. This formula prevails to this day[5]!

5 Interviews with Wallace Trohear, dated 26 April 2013 and Graham Cuthbert, dated 16 May 2013.

THE CHALLENGES OF THE 21ST CENTURY

THE CHALLENGES OF THE 21ST CENTURY

David O'Sullivan, Current CIO

The next 10 years would prove to be the most challenging so far for BUSSQ. Not only would the Fund have to contend with the Global Financial Crisis in 2008 and 2009, but also, in 2011, the European Debt crisis, which would engulf a number of European countries (Spain, Italy and Greece to name but three). If this wasn't enough, towards the end of the decade, there would be a slowing of economic growth in China and across Asia generally. This would have a significant effect on the Australian manufacturing and retail sectors, and the mining sector would experience fluctuating activity levels because of the strength of the Australian dollar and the decline of growth in China. Nevertheless, despite these serious setbacks which would have an impact across all industries, the Fund continued to grow and, in fact, be recognised for its successes by way of a number of superannuation related awards.

The first five years of the new millennium would see continued double digit crediting rates with a rolling five year average since the year 2000 of 14 per cent, and since the Fund's inception in 1985, an average annual return of 11.5 per cent. The Fund had, by 2005, grown by 32 per cent with some 83,000 members, over 5,500 participating employers and an asset base of just over $1 billion. The Fund's offerings and benefits had been extended so that the Fund could enrol anyone as a member or as a participating employer. A new product called the Building Super Personal Plan was introduced specifically to cater to the growing number of self-employed workers and it was this new plan, which enabled BUSSQ to extend its scope and coverage.

"The Fund had, by 2005, grown by 32 per cent with some 83,000 members, over 5,500 participating employers and an asset base of just over $1 billion."

To this point in the history of BUSSQ only brief mention has been made of the wide range of professional partners and associates who had worked with and assisted the Board in providing advice regarding the Fund's investments and administrative obligations. Principal among them, and crucial to the success of the Fund, has been the investment adviser, Frontier Advisors, previously known as Frontier Investment Consulting. The relationship with Frontier commenced around 1995 and has endured ever since, mainly as a result of the confidence and trust that the Board has had and continues to have in Fiona Trafford-Walker, a principal of the organisation, who has worked closely with the Fund's Investment Committee over the years. The principal role of Frontier is to provide feedback and advice to the Committee on its investment objectives and strategies of existing and prospective Investment Managers engaged by the Fund and all other investment matters that may be relevant[1].

Fiona Trafford-Walker, Principal, Advisors Frontier

The second organisation is the Fund's administrator, Australian Administration Services (AAS), which began a fruitful and beneficial 'partnership' relationship with BUSSQ in 2003. It has been a working partnership in the true sense of the word, with both organisations committing to embed this culture for the overall benefit of BUSSQ's members. As Damian Wills, Chief Operating Officer, puts it, *"talking about partnering with outsource providers is one thing, but actually performing all the tasks necessary to deliver a successful fund and administrator relationship is entirely another. And, like any strong relationship it takes commitment and leadership on both sides to invest in the people that are responsible for achieving the mutual goals. BUSSQ and AAS understand this philosophy and have managed to engineer superior customer service outcomes and help BUSSQ members achieve a more financially comfortable retirement as a result[2]"*.

Along with Frontier and AAS, other partners to advise the Board and Fund members include:

- Auditor – William Buck, later Crowe Horwath and now Ernst and Young
- Insurer, Group Life – ING, later OnePath
- Tax Agent – Ernst and Young
- Financial Advice to members – Money Solutions, (from 31 December 2013 this service is provided 'in-house')
- Professional Indemnity Insurer – Vero, then Dextra Corp and later Chubb
- Investment Advice (to the Fund) – Frontier Advisors

1 Interview with Fiona Trafford-Walker, dated 19 June 2013.

2 Interview with Damian Wills, Client Partnership Manager, Queensland, AAS, on 24 June 2013.

- Legal Advice – Corrs Chambers Westgarth
- Home and General Loans for members – ME Bank
- Health Insurance – Manchester Unity, and
- Custodian[3] –BNP Parabais

This array of business partners gives strength to BUSSQ and along with the policy of profits being returned to members, continued low fees (still only $1.50 per week!) and an eclectic range of investment choices (seven in number), BUSSQ was recognised by *SuperRatings*[4] in 2009 as 'Australia's Best Performing Balanced Superannuation Fund' over the five years 2004 to 2009. This recognition was followed in consecutive years, 2010 and 2011, with *Money* Magazine[5] judging BUSSQ as the Best Balanced Super Fund in their annual Best of the Best Awards. Additionally, in 2011, the Fund once again received recognition from *SuperRatings* as 'Australia's Best Performing Balanced Fund' over the preceding five years, 2010, 2009, 2008, 2007 and 2006. This also saw BUSSQ achieve *SuperRatings* 'Platinum' status. Recognition such as is constituted by receipt of these awards would have given great comfort to the Fund's members that their money was in good hands. That these awards came during the period of extremely poor market conditions reinforced confidence.

As mentioned previously, the years 2008 and 2009 saw the Global Financial Crisis (GFC) impact on money markets across the western world. Markets were severely hampered by lack of available credit and excessive pricing slowed consumer-affected growth. Very few funds escaped the effects. For the first time since its inception BUSSQ returned negative crediting rates in 2008 ranging from a high of negative 13.5 per cent in the High Growth option, negative 12 per cent in the Balanced Growth option to negative 6.5 per cent in the Fund's Defensive option. There was some recovery in 2009, when the negative returns were only in single digit figures, but only the Defensive option had a modest positive return of around two per cent. That said, BUSSQ's performance was still judged to be better than most and as is evidenced above, was consistently ranked among the top performing funds in Australia. BUSSQ's average crediting rates were at least one per cent higher than the average returns for all Australian superannuation funds.

By 2009/10, markets were recovering. Apart from the 'instability' caused by the European debt crisis in 2011, the challenge for the BUSSQ Board was to remain 'ahead of the pack' and to be the superannuation fund of

3 An entity that acts as a bare trustee and holds assets of a superannuation fund on behalf of the superannuation fund trustee. The custodian holds the legal title to the asset and acts only at the direction of the Fund Trustee.

4 *SuperRatings* was Australia's first and most respected superannuation research company focussed solely on providing members of superannuation funds with a better understanding of how individual funds are tracking in comparison with competitors.

5 *CNN Money* published by Time Inc provides information and advice on a wide range of personal finance topics and is well known for its annual list of the 'Best of the Best' in a number of finance areas.

choice. By this time the Fund had grown to an asset base of around $2 billion, a membership base of 90,000 and participating employers of some 13,000. This represented a huge growth from the 'heady' days of 2004/05.

The Board's challenge was to make 'the difficult easy' and to simplify not only the information about and substance of new products, but also to facilitate ease of dealing with BUSSQ. It was also seen as important to introduce a streamlined 'arrears' process to ensure that members received their 'legal' superannuation entitlements. Regrettably, a number of building and construction industry employers had a reputation for avoiding paying employee entitlements.

Despite Federal legislation threatening personal legal ramifications to recalcitrant company directors of BUSSQ employers for not paying superannuation entitlements on behalf of their employees, there were still those who attempted to avoid their obligations. For many years informal arrangements were in place whereby the building unions would assist the likes of BUSSQ to recover monies owing, but it had become clear that more formal arrangements were needed. There is now an 'arrears department' in place at BUSSQ which works in close association with unions. A committee meets regularly to identify defaulting employers who, if they do not respond to letters of demand, are prosecuted for the recovery of owed entitlements plus interest on superannuation arrears outstanding in excess of three months. The BUSSQ arrears processes are now the most successful in Australia, with less than two per cent non-compliance[6].

Things at BUSSQ were gathering pace. A mobile Super Centre, the 'BUSSQ Bus', had been developed as a one-stop-shop to assist members to get their 'super sorted'. The bus operated across the state to encourage new members and to assist existing members. Members and employers could also go online to manage their affairs, and an online 'rollover' tool was made available on the website to assist members in locating 'lost' superannuation and rolling it into their BUSSQ account. In 2011, the Fund's Personal Choice membership option was renamed and redesigned as 'Premium Choice'. It provided a greater range of investment options for a member and insurance flexibility which now included an 'income protection' component, as well as the existing death and disablement provisions. Members can now invest in any of 11 investment options including the award winning Balanced Growth option to Cash, All Shares, International Shares, Australian Shares and Emerging Markets, all of which can be managed online.

6 Interview with Wallace Trohear, dated 26 April 2013.

BUSSQ's mobile super centre - the BUSSQ Bus.

Direct property investment - 299 Coronation Drive, Milton, Queensland.

The Board and Fund Executives, however, have not stood still. With the view of making things easier for members and in line with upcoming regulatory and administrative changes, which had been foreshadowed in the Report of the Cooper Review[7], BUSSQ was developing a new, simplified and cost-effective product which would contain a simple diversified investment option and a basic insurance offering for members who did not want to exercise investment and insurance choice. Initially called 'Flexible Choice' the product was later renamed and launched as 'MySuper' in 2013.

"BUSSQ was developing a new, simplified and cost-effective product which would contain a simple diversified investment option..."

Additionally, the Board made a decision to invest in direct property and as a consequence purchased a four-storey office block in a prime position at 299 Coronation Drive, Milton in Brisbane, overlooking the Brisbane River.

BUSSQ has lived up to its mantra 'Building Super' by providing superannuation for its members to embrace a superior retirement lifestyle through consistent delivery of security of investment across its products with optimum returns, amid a culture focussed on servicing its membership. One statistic that is pertinent is the amount in the pensions' 'pool'. It is just over $270 million and represents 1,131 BUSSQ members reaping the benefits of their superannuation investment[8].

7 A Review of the Governance, Efficiency, Structure and Operation of Australia's Superannuation System – Report dated 30 June 2010.

8 Interviews with David O'Sullivan, dated 31 July 2013 and 2 September 2014.

GOVERNANCE AND MANAGEMENT

Crucial to the success, or otherwise, of any business undertaking is its governance, that is, the effectiveness of the Board of Directors (or Trustees). Their collective 'leadership' and 'business management' skills are essential if a business is to develop and grow. It is fair to say that BUSSQ has been well served in this regard. The results to date and the strength of the balance sheet are testament to this fact. A result such as this has been achieved from the outset, as a 'fait accompli'. The collective efforts of the Board were closely scrutinised for many years, no more so than by the 'agents' of CBus who, as reported earlier, kept up pressure on the union members of BUSSQ for nearly a decade[9].

Following the demise of the AFCC in 1993, Master Builders Queensland has nominated two employer representatives and the building group of unions has nominated two union representatives. There has been a push 'on-and-off', depending on the regulator at the time, to nominate 'independent' Directors; originally two, sometimes one and at other times none!

Bob Lette, BUSSQ Director 1984 - 2013 and Chairman 1994-2017

Bob Lette, joined as an independent Director, became the 'acting' Chairman on the resignation of the inaugural Chairman, Vince Dobinson in 1990 and was Chairman until 2017 when Wally Trohear replaced him for six months. Paula Masters is the current Chairperson.

There are indications that the Coalition Government will legislate to mandate non-partisan boards for superannuation funds and also mandate maximum terms for the length of service of Directors and Trustees.

While it cannot be argued that strong regulation of funds is necessary, there is, as has always been the case, the danger of 'fixing something that is not broken'. If there has been an enduring feature relating to the governance of BUSSQ, it has been that the Directors know the industry and have demonstrated that this knowledge and their leadership over a long period have paid off, and handsomely too! You cannot simply place a template over an industry and say 'one-size-fits-all'; to do so would be a cop-out. BUSSQ's Directors have demonstrated that they know what they are about. The results cannot be refuted.

A further example of the effectiveness of the BUSSQ Board's good management is that the 'six-guns are left at the door'! While there have been,

9 Interview with Hugh Hamilton, AM dated 26 April 2013.

on many occasions, situations where industrial issues and problems have pervaded the industry landscape, involving individual Board members in their professional workplace capacities, these issues and problems have never prevented Board members pursuing BUSSQ business. Indeed, the opposite has often been the case. The personal relationships and respect gained in being BUSSQ Board members has seen otherwise volatile situations resolved amicably[10].

A further key for good corporate governance is for Boards not to get bogged down in the minutiae of running an organisation. The BUSSQ Board is no different. Board committees are essential and BUSSQ, as a result, has four:

- Audit, Compliance and Risk Management Committee
- Investment Committee
- Remunerations and Nominations Committee, and
- Claims Committee.

10 Interview with Graham Cuthbert, dated 16 May 2103.

Of these committees, the first three are typical of those in most organisational structures. The latter, however, is unique to superannuation funds. The Claims Committee's sole objective is to review claims for Death benefits and Total and Permanent Disablement benefits. The BUSSQ Committee has an enviable reputation. Since the Fund's inception, very few claims have been referred to the Australian Financial Complaints Tribunal (AFCA) (known as the Superannuation Complaints Tribunal before 2018) for rulings, and only two decisions by the Claims Committee has been amended by the AFCA.

A further practice established by the Claims Committee, that enhances BUSSQ's overall image, is that the Committee deals directly with the dependents with a two week turnaround objective.

Many funds avoid decisions in this regard and refer claims for consideration as part of the probate process. This not only delays settlement (and much needed funds at a time when family certainty and security are threatened), but also adds legal costs to the equation and thus reduces the payout[11]. BUSSQ was an early adopter of the 'binding death benefit nomination' provision into the BUSSQ's Trust Deed and this ensures streamlining of the process.

This section would not be complete without reference to and reporting on the management of BUSSQ. The Directors of the Fund have always included as part of their mantra, 'low fees'. With a direct administration fee of only $1.50 per week (it was only 50 cents in 1985). There are no establishment fees or contribution fees either.

From the outset the original Trustees (later Directors) always put members first. BUSSQ profits are returned to members, unlike many other superannuation funds that pay a proportion of their profits to shareholders and also pay commissions to agents. Unlike many other funds too, fees paid

"The Directors of the Fund have always included as part of their mantra, 'low fees'. With a direct administration fee of only $1.50 per week (it was only 50 cents in 1985)."

to BUSSQ Directors are modest in comparison[12].

An important element of good corporate governance is succession planning and this is a specific APRA requirement[13]. In this regard BUSSQ addresses the issue by giving senior industry figures opportunities to attend Board meetings, superannuation seminars and conferences and also to serve on Board Committees. Garry Rossow, an Employer Director, who has extensive experience as a Company Director of a leading Queensland building company, considers that the training and preparation of a Director of a superannuation trustee (company) is far more complex than that required of a 'normal' Director and further, that a period of around two years exposure to the operations of a superannuation fund is about the minimum period required[14]. As a result of the BUSSQ succession planning strategy, the Board is well placed should the need arise to appoint a new Director.

It virtually goes without saying that effective management and administration go hand-in-hand with good governance. This is no less the case than with BUSSQ. That said, however, in keeping with the Fund's 'low fees' mantra, the Board has been conscious of the need to peg administrative costs to the minimum necessary to complement effective governance. Until Arthur Rogers (previously referred to) was appointed as the first full-time employee in 1992, administration and management of the Fund, since its inception in 1985, was carried out by Jacques Martin Industry.

11 Ibid.

12 Interview with Bob Lette, dated 20 May 2013.

13 APRA Prudential Practice Guide SPG 230 – Adequacy of resources (August 2010), p.10.

14 Interview Garry Rossow, dated 21 May 2013.

As has been reported the Fund grew in numbers of members and assets exponentially. So much so that in 1998, the Board needed fund growth more intimately managed and thus came the appointment of Paul Byrne as the inaugural General Manager/CEO of BUSSQ. He oversaw the continued growth of the Fund and, as became necessary, incremental growth in staff numbers. His replacements, David O'Sullivan and Linda Vickers continue in this vein.

"The Fund now employs 52 people who are spread over a number of administrative functions, including Operations, Risk and Compliance, Arrears, Financial Planning, Business Development, Employer and Member Services, Marketing and Insurance."

The Fund now employs 52 people who are spread over a number of administrative functions, including Operations, Risk and Compliance, Arrears, Financial Planning, Business Development, Employer and Member Services, Marketing and Insurance. While the number of employees may appear high when compared with the level of employees say 10 years ago, the costs of administration when expressed as a percentage of the total net assets of the Fund have actually decreased: 0.94 per cent in 2000 and 0.43 per cent in 2015 and 0.39% in 2018. In 1995/96 when there was a combination of BUSSQ staff and JMI, administrative costs were 1.26 per cent of the net assets base[15]!

Numbers such as these indicate that BUSSQ is a lean and efficient organisation.

David O'Sullivan believes the loyalty of the staff and devotion to BUSSQ's culture are the greatest strengths of the organisation. So much so that the low turnover in staff and the sometimes limited individual career opportunities within the organisation can often work counter to the aspirations and potential of individual staff members[16].

15 Annual Reports for the years 1995/96, 1999/2000, 2011/12 ans 2017/18.
16 Op cit, interviews with David O'Sullivan.

BUSSQ TODAY AND THE FUTURE

BUSSQ TODAY AND THE FUTURE

Jeremy Cooper

An examination of BUSSQ in its current and future contexts cannot be made without considering a number of significant external influences. Among these, the most comprehensive review of the superannuation industry was initiated by the Commonwealth Government in May 2009. The 'Cooper Review', which had the support of the superannuation industry, was set up with the scope to "review the governance, efficiency, structure and operation of Australia's superannuation system[1]". Jeremy Cooper, a former ASIC Deputy Chairman, chaired the review. An expert panel consisting of a number of prominent individuals all of whom had superannuation and financial backgrounds supported him. "After decades of annual changes to Australia's superannuation system[2]", this was the first major review of superannuation in Australia. In addition to the scope referred to previously, the terms of reference included provision for:

- *The Review to be conducted around the concepts of the best interests of the member and the maximising of retirement incomes for Australians.*
- *The Review to be conducted with reference to improving the regulation of the superannuation system, whilst also reducing business costs within the system.*
- *The Review will be a systemic examination, including all superannuation fund sectors.*
- *The Review will comparatively examine international jurisdictions and will consult with experts as needed from other jurisdictions[3].*

"The 'Cooper Review', which had the support of the superannuation industry, was set up with the scope to 'review the governance, efficiency, structure and operation of Australia's superannuation system'."

1 Super System Review Final Report, 'Terms of Reference', page v.
2 Touchstone newsletter, December 2010, 'Government Response to Cooper', page 1.
3 Op cit, Super System Review Final Report, page v.

After extensive consultation, the panel presented its report on 30 June 2010. The Government accepted the strategic intent of the review and endorsed 139 of the 177 recommendations contained in the Super System Review. Principal among the recommendations was that a superannuation system should work for its members and not vice versa[4]. The principal 'product' to be prescribed by the review panel was 'MySuper', a simple, well-designed product suitable for the majority of people. The MySuper concept was to be aimed at lowering overall costs while maintaining a competitive market-based, private sector infrastructure for superannuation. The concept was to draw on and enhance the existing and well-known product, the 'default investment option', which had been originally introduced in 1985.

MySuper was to be designed to take this product, simplify it, and add scale, transparency and comparability, all aimed at achieving better superannuation outcomes[5]. To support the MySuper model the panel introduced a further concept to describe the package of measures to enhance the superannuation system. This was to be called 'SuperStream'. The package included new standards to improve the quality of data provided by employers, to allow the use of Tax File Numbers (TFNs) as a primary identifier and to require the use of technology to improve processing efficiency. SuperStream also included improvements to the way fund-to-fund rollovers were to be processed and the way contributions could be made[6].

"MySuper was to be designed to take this product, simplify it, and add scale, transparency and comparability, all aimed at achieving better superannuation outcomes."

It remains to be seen how successful implementation of the Cooper Review recommendations will be for the superannuation industry. The immediate effects,

4 Ibid, page 1.

5 Ibid, page 17.

6 Op cit, Super System Review Final Report, page 17.

however, did necessitate a review of procedures and products by all existing funds, BUSSQ included. The Cooper Review did consider, as part of its deliberations, ‘Director tenure and board size’ as well the principle of ‘equal representation’. No formal recommendations were made although the panel did observe that “research shows that succession planning and regular turnover on the Board is important for good governance and new ideas[7]”. The panel went on to comment “that both issues be dealt with as important matters in the Code of Trustee Governance[8] that would reflect the unique context of a superannuation fund[9]”.

What does this all mean for BUSSQ? In most respects, not a lot! BUSSQ’s systems, products and procedures required minimal rework to accommodate the changes brought about by the impact of the Cooper Review recommendations as adopted by the Commonwealth Government.

7 Op cit, Super System Review Final Report, page 53.
8 Ibid.
9 Ibid, page 62.

There remained two products; Premium Choice, referred to earlier and Flexible Choice, which was renamed MySuper which is BUSSQ’s default option. The investment profile of MySuper’s Balanced Growth option is a mix of defensive assets such as shares, property and fixed interest securities. It is a secure investment, in as much that the frequency of a negative return is not expected to be more than once in eight years[10].

So, it’s ‘steady as she goes’ for the future. At this point in time, with industry activity levels forecasting only modest growth into the foreseeable future, the main emphasis for the Board will be to ensure that the investment mix still provides for maximum returns, that service delivery and financial planning are progressively refined, and that importantly there is greater focus on BUSSQ members who become ‘pensioners’ because, after all, they are the reason that the Fund exists[11].

10 Based on the standard Risk Management Guidance for Trustees recommended by APRA, ASIC, ASFA and FSC.
11 Op cit, interviews with David O’Sullivan.

CONCLUSION

CONCLUSION

There can be little doubt that BUSSQ is a vibrant and valued organisation in the Australian superannuation industry marketplace.

> "This success has been graciously acknowledged, quite unsolicited, by Garry Weaven, regarded by many as the doyen of industry superannuation in Australia."

There will be those who will say 'big is beautiful'! And often this will be the case. In a business context many overheads that occur across all organisations are made more cost effective because of economies of scale. BUSSQ, however, proves there are exceptions and that an amalgamation with another fund will not necessarily produce a better result. Indeed, BUSSQ has shown most effectively that the opposite is the case. Crediting rates must continue to be the principal measure of any Fund's success and BUSSQ's consistent results over 30 years of operation, sees the Fund's long term performance amongst the industry leaders. Certainly, the notion that industry discreet funds with 'partisan' boards are not the way to go is effectively dispelled when BUSSQ is cited as a model.

The commitment of BUSSQ Directors now is as strong, and as effective, as it was when each was first appointed. Importantly each Director knows the industry intimately both structurally and professionally. They recognise the highs and lows. They are well on top of their corporate governance responsibilities and fiduciary duties. Combine all this with their commitment to professional development, in place well before the APRA mandate, and you have all the ingredients for success.

This success has been graciously acknowledged, quite unsolicited, by Garry Weaven, regarded by many as the doyen of industry superannuation in Australia[1].

For BUSSQ, the adage, 'if it ain't broke don't fix it', fits perfectly.

BUSSQ is here to stay!

1 Op cit, interview with Garry Weaven.

TRUSTEES AND DIRECTORS OF BUSSQ SINCE 30 NOVEMBER 1984

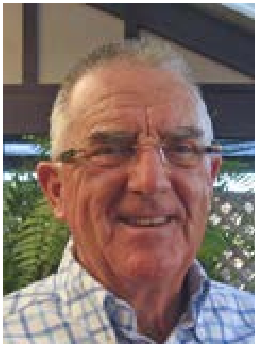
Trustees	Representing	Date of Appointment	Date of Resignation
Paul Richards	Independent	17 December 1984	12 July 1994
Robert Lette	Independent	17 December 1984	12 July 1994
Des Hodgman	QMBA	17 December 1984	11 December 1991
Vince Dobinson	ABCE/BLF	17 December 1984	16 February 1990
Lance Horwood	AFCC	17 December 1984	12 August 1985
Hugh Hamilton AM	BWIU	17 December 1984	11 March 1985
John Thompson	PGEU	11 March 1985	11 November 1987
Owen Rankin	AFCC	12 August 1985	7 April 1991
Rod Hunter	BWIU	11 November 1987	11 December 1991
Pat Purcell	ABCE/BLF	21 February 1990	8 October 1992
Graham Cuthbert	QMBA	11 December 1991	12 July 1994
Mark Hickey	BWIU	19 February 1992	17 May 1993
Greg Simcoe	ABCE/BLF	9 December 1992	12 July 1994
Wallace Trohear	BWIU (later CFMEU)	15 September 1993	12 July 1994
Garry Rossow	QMBA	16 March 1994	12 July 1994

DIRECTORS OF BUSSQ PTY LTD

Directors	Representing	Date of Appointment	Date of Resignation
Graham Cuthbert	QMBA	12 July 1994	6 October 1995
		1 April 2003	31 March 2014
Robert Lette	Independent/QMBA	12 July 1994	31 December 2017
Greg McLean	QMBA	13 December 1995	31 March 2003
Paul Richards	Independent/CFMEU	12 July 1994	1 March 2015
Garry Rossow	QMBA	12 July 1994	31 December 2013
Greg Simcoe	BCE/BLF	12 July 1994	31 August 2013
Wallace Trohear	CFMEU	12 July 1994	Current
David Hanna	ABCE/BLF	1 September 2013	30 July 2015
Grant Galvin	QMBA	1 January 2014	Current
Paul Bidwell	QMBA	1 May 2014	Current
Paula Masters	CFMEU	1 April 2015	Current
Ron Monaghan	CFMEU	29 September 2015	Current
Sonja Beyers	QMBA	1 January 2018	Current

ABOUT THE AUTHOR

GREG SHANNON, OAM



Greg Shannon

Greg Shannon was born in Sydney, New South Wales. After completing his secondary education, he trained as an accountant. In 1968, having enlisted in 1960 as a part-time soldier in the Citizen Military Forces, the equivalent of today's Army Reserve, he transferred to the Australian Regular Army as a lieutenant. He served in South Vietnam in 1971 with the Fourth Battalion, The Royal Australian Regiment and retired from the Army, as a lieutenant colonel, in 1990.

In January 1990, he commenced working as the General Manager of Construction Training Queensland, an industry training advisory body. He retired in February 2007 as Chief Executive Officer of the Building and Construction Industry Training Fund, at the time of the Fund's transition as Construction Skills Queensland.

An author of two previous history books; *The Role of Construction Training Queensland in the Development and Growth of Training and Skills Formation in the Building and Construction Industry in Queensland – 1990 to 2008 Evolution or Revolution* and *Catalyst for Change? – The Development and Growth of the Construction Industry Training Centre, Salisbury, Queensland (1992 to 2011)*, Greg was recognised for his contribution to vocational training and education in the building and construction industry in Queensland, with the award of the Medal of the Order of Australia (OAM) in the 2013 Australia Day Honours.

ACKNOWLEDGEMENTS

Many people make up the history of any successful organisation. BUSSQ is no different. I have attempted to include and mention as many people as possible, but it would be impossible to include everyone and I hope if there are unintended and notable omissions that those individuals forgive me.

My sincere thanks go to the people who made a contribution and I would like to acknowledge, in no particular order, the following: Hugh Hamilton AM and Wally Trohear; the BUSSQ directors Bob Lette, Paul Richards, Garry Rossow, Graham Cuthbert and Greg Simcoe. Others were Lance Horwood, Des Hodgman, the late Vince Dobinson (deceased 17 August 2014), Pat Purcell, Dallas Ezzy, Paul Byrne, Trevor Peterson, Neil Harvey, Michael Corcoran from Independent Fund Administrators & Advisers (IFAA), Fiona Trafford-Walker from Frontier Advisers and Damian Wills from Australian Administration Services (AAS).

It was pleasing to be able to conduct a video interview with Garry Weaven, the Managing Director of Industry Funds Management (IFM) (now 'IFM Investors'), who in 1984, was the 'Superannuation Officer' at the ACTU. I was also lucky to gain access to the Hon Neville Harper, the Bjelke-Petersen Government Attorney General of the day. He played an essential role in seeing BUSSQ established and graciously consented to be interviewed. His memory of events was lucid and insightful.

I must also record my appreciation and thanks to David O'Sullivan and his staff at BUSSQ, in particular Linda Vickers and Carolyn Sammells.

Finally, special thanks to my wife Kay who gave me encouragement when I got bogged down.

Greg Shannon

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