

UniSuper Historical Review

DRAFT 2

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Chapter 1 ***Formation***

On a warm Christmas Eve in 1982 a small group of men gathered in an office on the tenth floor of 447 Collins Street Melbourne. While the city outside bustled with the rush of the end of the year and crush of last-minute shopping these men put pen to paper and signed a Deed that would add wellbeing to the Christmases of thousands of Australians in the immediate and distant future. It was not a particularly merry Christmas for many that year. Unemployment was 12%, inflation was galloping and a National Wage Case Decision had just frozen wages for the next six months.

The document was the Trust Deed which established the Superannuation Scheme for Australian Universities (SSAU) that would come into being on 1st January 1983. Its signing was the culmination of many years of investigating, discussing, planning, negotiating, calculating, analysing and drafting that had involved the inspiration and hard work of a number of people with unusual foresight and the courage to pursue their vision.

A decade earlier the election of the Whitlam Government had brought to an end 23 years of Conservative Government and Australia's involvement in the Vietnam War. Bob Dylan sang 'the Times They are A'Changing' and Gough Whitlam, who was elected on the slogan of 'It's Time', introduced a raft of legislation and policy initiatives that ensured Australia would get its share of the change. One of those initiatives was to establish a National Commission, chaired by Professor Keith Hancock, to examine the possibilities of introducing a national contributory superannuation scheme. This had been a policy of the Labor Party for many years. The trade unions had always played a benevolent role for their members and providing income for sickness, invalidity and retirement had always been a major plank in their policy platforms.

Retirement income wasn't considered a major issue until the late nineteenth century when there were noticeable increases in the number of people who lived past 65. In the Depression of the 1890s awareness grew that there was a need and a place for social support for the aged and discussions about how to provide retirement income grew alongside an awareness that this involved a role for government. Overseas governments were setting examples. A compulsory contributory insurance scheme was introduced in Germany in 1882 followed by Government insurance or pension schemes in Denmark in 1891, Belgium in 1894 and in New Zealand in 1898.

These schemes attracted attention in Australia but at that time there was not a lot of support for the sort of compulsory contributory schemes that had been introduced. It was argued that these schemes were not suitable for the small population of Australia or its underdeveloped infrastructure. There was also concern that it would leave many unskilled, casual workers, the sick, the unemployed and non-working women without coverage.

The first concrete steps to provide income for the aged came from the NSW government in 1901 when they introduced an age pension which was a non-contributory flat rate payment funded from general revenue. Victoria and Queensland followed suit soon after.

Although Federation occurred in 1901 it took some years for financial accountabilities to be transferred and centralised. In 1908 the Commonwealth passed the 'Invalid and Old Age Pensions Act 1908'. This allowed for a pension of 26 pound annually paid as 10 shillings a week to those who were eligible, recipients had to be over 65 years of age and meet the conditions of an income and asset test. It also required that a person had continuously been resident in Australia for 25 years as long as they were not Aliens, non-Australian born Asians, Australian Aborigines, Africans, Pacific Islanders or NZ Moaris.

In 1909 the residency requirement was reduced to twenty years to parallel the residency requirements of the superseded Victorian and Queensland age pensions. In 1910 the age was lowered for women's eligibility because, it was argued, that women generally became incapacitated for work at a younger age than men.

For the next five decades policy decisions regarding the pension were largely about the amounts paid and their relationship to income and assets. In 1962 reflecting the influx of post-war migration the residency provision was reduced again to ten years to enable post-war migrants to become eligible. In 1963 it was decided that a single person was entitled to 10% more than one half of a couple pension and in 1972 pensions could be payed in overseas countries as reciprocal arrangements enabling migrants in Australia to receive pensions from their home countries.

When the Whitlam Government set up the National Commission on Superannuation in 1972 they were following the traditions of previous Labor Governments to try and provide more than subsistence for most Australians. In 1923 The Bruce government established a Royal Commission to examine the possibility of introducing a comprehensive national insurance scheme for retirement, sickness and disability. The subsequent report supported the establishment of a national scheme on the grounds that it offered the prospect of significantly improving the level of security for the aged, sick and disabled. On the basis of this report the Bruce Government introduced a 'National Insurance Bill' that required all individuals, subject to a maximum income limit, aged between 16 and 65, to contribute to national insurance. The scheme would pay benefits for sickness, invalidism and old age as well as for widows and orphans. This Bill was strongly opposed by Friendly Societies who were concerned that national insurance would make them redundant, and by employers who were concerned that the compulsory insurance contributions would increase labour costs. The Bill lapsed when the government was defeated in 1929. Ten years later a second attempt was made in 1938 when, after another enquiry, a similar bill but with a wider range of benefits was renamed the National Health and Pensions Bill. This Bill was passed despite objections from the same parties. But its success was short-lived. It was to be enacted on 1 January 1939 but was delayed and then abandoned when the Second World War forced priority to be given to defence in the Federal budget.

By the dawning of the seventies it was clear that retirement was becoming another stage of life, rather a few years eked out at the end of a working life. Superannuation had been bought onto the national agenda. While only 32.3% of wage and salary earners, 40.8% of males and 16.5% of females, were members of superannuation schemes, it was increasingly becoming a working condition that was sought, There was growing awareness that inequities existed in the quality of life expectations between those with

superannuation and those without it. Blue collar males and women were mostly excluded, while women were able to join some schemes their eligibility criteria were much more stringent. For example, in the Victorian State scheme they were only entitled if they were unmarried, and in a local government scheme they were only entitled until they turned twenty-six.

The Hancock Commission examined the possibility of introducing a national contributory earnings-related superannuation scheme as a way to improve equity and broaden superannuation coverage. The majority decision of the Hancock Commission supported the establishment of a partially contributory pension system with an earnings-related supplement that would raise pension rates to 30% of average weekly earnings. As it happened by the time the decision came down the Fraser Government was in office and the recommendations were rejected. A minority recommendation foresaw the future in that it called for a broadening of existing arrangements through a scheme that encompassed a non-contributory flat rate universal pension, a means tested supplement and greater encouragement of voluntary savings through an expansion of occupational superannuation.

In 1972 the 5th Report of the Australian Universities Commission (AUE) endorsed an investigation into the possibilities of developing a scheme that could offer comprehensive benefits and transferability between institutions. At this stage permanent academics and white-collar administration staff in universities were among the few privileged workers that had any access to superannuation at all. There were a myriad of schemes that varied in structure and benefits from one university to another with almost no portability between them. In NSW university staff were included in the state superannuation scheme for government employees and the ANU was a member of the Commonwealth government employees scheme. Both of these schemes offered generous benefits to members, but caused concern to governments because they were unfunded. At other universities many schemes were either FSSU(##?) endowment schemes provided by approved Life Offices or unfunded defined benefit schemes. The first were glorified life insurance policies that were unable to provide adequate pensions and the second were often generous to staff but were causing increasing concern for the older universities as their staff began to retire and the fund liabilities grew. Some universities had managed funds and some supplemented pension benefits in endowment schemes there was also a mixture of schemes as options and for different categories of workers. Some of the schemes were only able to provide 2.5 to 3 times final salary as a lump sum after a 30 year career. High levels of Inflation added to the problems.

Consistently the schemes were also unsatisfactory because there was limited transferability between institutions. Both staff and administrations began to seek methods of addressing the inadequacies of the situation. Universities were also undergoing broader changes. They were emerging from their existence as scholarly enclaves into a harsher world where economic realities were forcing changes in attitudes and practice. Academics had started to see themselves as workers as well as scholars and were organising to have improved, consistent and consolidated conditions. The Australian Vice Chancellors Committee (AVCC) and the Federation of Australian University Staff Associations (FAUSA) began to develop strategies to address this.

David Wood, who was an inaugural member of the Board of Trustees of SSAU, remembers that when he arrived at Melbourne University from Britain to take up a post as a Lecturer, he was approached by two representatives from two different schemes. The schemes at Melbourne University were mostly endowment assurance policies with

insurance companies. The University paid a 10% contribution and the staff member paid 5%, but because the main focus of the scheme was insurance there were inadequate pensions for retirement. David Wood, did end up joining one of the schemes and calculated that his scheme would amount to no more than one years salary when he retired after contributing for years. This inspired him to attend a FAUSA meeting where he raised his concerns and before long he became a member of Melbourne University FAUSA Executive continuing to raise the inadequacy of the superannuation coverage. The Assistant Vice Chancellor at the time was David Caro who was also concerned about the lack of adequate superannuation which he believed was an encumbrance to good staff relations.

David Caro had established a Superannuation Committee and David Wood became involved. A working party was set up which included Chris White who worked as a consulting actuary on the university schemes. Chris developed an actuarial evaluation for a new scheme that was eventually adopted. It was modelled on a pension scheme, but included the ability to commute a pension into a lump sum. It was based on 10% employer and 5% employee contributions.

With this experience David Wood attended a FAUSA National Council meeting where he raised the issue and sparked the interest of Peter Byers, FAUSA Vice-President. Peter was an accountant from Tasmania University who also took a keen interest in superannuation. They set up a sub-committee to investigate ways of providing quality superannuation to academics that was able to pay a decent pension, provide portability and be affordable for the institutions.

THE AVCC had also set up a superannuation committee. The Whitlam Government had control of the funding for all Australian Universities. They also introduced a superannuation scheme for Commonwealth public servants that offered benefits that were more generous than most schemes of the time. Therefore it seemed logical to both the FAUSA and AVCC Committees that Universities become participants in the Commonwealth scheme and made application to the Government to join. The two organisations applied in different ways. The AVCC made a formal application to join and received a formal acknowledgement and notice that it was being considered. FAUSA, made direct approaches to the relevant Minister and were told that it was extremely unlikely that the government would extend the scheme to university staff, because it was an unfunded scheme and its expected liabilities were already causing concern to the government. He also said that the government were concerned about the situation in the universities and would be prepared to offer some form of support.

In 1976 AVCC sub-Committee invited FAUSA to join. Both organisations had made approaches to the government, but in different ways. The FAUSA Committee managed to arrange a meeting with the Minister for Education, Peter Carrick who was candid and said he didn't believe the universities stood a chance of being accepted into the CSS as it was unfunded and there was already concerned about the cost liabilities that would need to be met in years to come. At the same time he assured them that the government were concerned about the situations in the universities and would be supportive if they could develop a national contributory scheme of their own.

With no knowledge of this meeting the AVCC applied formally to the government to be accepted as approved authorities for the purposes of the Superannuation Act 1976. The government's response to this application took some time but eventually they said, that they couldn't foresee an early decision on whether the Universities would be able to join the Commonwealth scheme. Enthusiasm for this scheme took a bit of bruising when the

ANU, which was a member, was asked to put 25% of its salary bill aside to cover the emerging costs and the government was not persuaded that they needed to provide additional funding to help cover these costs.

If the universities couldn't join the CSS they would have to find another solution. That wasn't going to be easy. There were no clear precedents or models on which to base future developments. It was understood that a new scheme would work best if it was a national fund with multiple employers. However this was not a simple matter because of the multitude of arrangements that existed that staff were members of and the blank page on which the design could be drawn. As a result the attitudes of those involved started to diverge. Disagreements arose at the meetings of the sub-committee. FAUSA was studying schemes with a view to proposing a national university scheme and the AVCC sponsored a feasibility study of an emerging cost scheme.

The situation in the Universities was deteriorating with regards to their current arrangements. Administrations were increasingly concerned about the cost burdens that were building in unfunded liabilities and in some cases meeting the inflationary costs of existing pensions, and staff were increasingly concerned at the inadequacies of the plans they were in. They were both concerned about the lack of portability. A number of Universities began designing and taking steps to implement new schemes for themselves which was inconsistent and potentially damaging to the aim of the AVCC and FAUSA to develop a national scheme that covered all Universities. If they had access to local schemes that were an improvement to the current ones the universities would be less inclined to join a national scheme, which needed, if not all, a majority of the universities to succeed.

While the Committees were trying to sort through the different approaches and priorities for a new scheme pressure to act started to mount as universities, desperately needing to address the situation, were developing revised arrangements at the local level. Any national scheme would need the support of, at least, most of the universities, if they had made new arrangements they might not be so enthusiastic about joining. The AVCC, therefore called for an urgent meeting of all parties which included itself, FAUSA, the Tertiary Education council and the Universities Council. A working party to review the situation of superannuation at Australian universities was then established and met on the 1st and 2nd of June to examine the situation and all its complexities and to make recommendations for a national scheme

Jim Tolhurst, who later became a Trustee of SSAU, was the Bursar at Queensland University at the time and remembers being sent to the Committee to represent his Vice-Chancellor: 'They put us in a room at the University of Sydney library for a couple of days and we started to work on what we thought was the ideal superannuation scheme for universities.'

This involved the massive job of examining the existing superannuation provisions and the introduction of new arrangements in the universities; the likelihood of universities being admitted to the CSS; the practicalities of establishing a common scheme for university staff; the best funding arrangement for a common scheme; the annuity basis of a common scheme; the coverage of a common scheme; the indexation of pensions; the recognition of past service and portability; contributory and non-contributory past service; and, the position of people in present schemes.

Despite the enormous scope of the Committee's brief it made concise, clear recommendations that provided a basis for the next steps. The main recommendations were that no further initiatives should be taken regarding entrance to the CSS; that future

developments should be co-ordinated by the AVCC Working Party on Superannuation; that a technical committee be established to make an actuarial evaluation to form the basis of a common fund and that discussion be initiated with the Chairman of the Universities Council and the Executive of FAUSA with a view to establishing a working basis from which detailed planning of a common fund could proceed.

The technical committee was established and Chaired by Sid Caffin, the Government Actuary. This committee collected information from universities detailing age profiles of staff, mortality rates, salary levels, as well as information about the current superannuation arrangements in each university. In the meantime FAUSA had employed Chris White to make an actuarial assessment and had developed a proposal for a scheme based on this work. This proposal was forwarded to the AVCC and was included in the brief for the investigation of the Caffin Committee.

In May 1979 the Committee had completed its investigation and was able to show clearly that a national scheme was feasible. A report, tabled at an AVCC meeting proposed a scheme that was similar in principle to the FAUSA scheme but had less generous benefits. The proposal favoured a defined benefit plan that offered an inflation proofed pension at age 65 with one sixtieth of final salary for each year of service. The pension was to be commutable in whole or in part to a lump sum and there was to be provision for withdrawal, death in service, invalidity and surviving dependant's benefits.

In terms of costs the AVCC was advised that a fully funded scheme conforming to these guidelines would cost 22.5% of salaries + 0.5% for a death in service benefit if all members in existing FSSU type schemes joined the new scheme and were credited with all previous service. If the scheme was restricted to and made compulsory for new entrants only the costs were estimated at 18% of salaries. The proposed FAUSA scheme was costed at 31% of salaries.

The AVCC instructed its sub-committee to discuss this report with FAUSA and to prepare a prospectus for a national scheme as a submission to university governing bodies. On 10 July there was a joint meeting consisting of Peter Byers, Les Wallis and David Wood represented FAUSA and Professors Beacham, Williams and Hancock represented the AVCC. In attendance was Frank Hambly, Secretary of the AVCC and Mr Ray Campbell, Secretary of the Technical Committee. The differences in the two schemes that had been proposed were identified, particularly those with cost implications. The major differences related to retirement age and the AVCC proposal for reduced benefits from age 60 years; integration with the Commonwealth Age Pension; disability benefits; payment for death benefits; cash withdrawal alternative and membership. FAUSA were opposed to integration with the aged pension and the benefits proposed by the AVCC. Instead they proposed 50% of salary after 30 years service at the age of 60. (Minutes, FAUSA AGM 1979)

It was decided that the differences could be resolved because there was sufficient common ground and that the AVCC proposal should be forwarded to the universities seeking an 'in principle' agreement to a proposed national scheme, similar to the AVCC scheme but subject to further negotiations with FAUSA. It was also agreed that an alternative scheme that had been proposed by the Life Offices and distributed to all Vice-Chancellors in the previous February was not acceptable.

The issue of whether or not the scheme should be a lump sum or a pension scheme was a delicate one for FAUSA. A significant number of members were in favour of an accumulation scheme but the sub-committee argued in favour of the pension scheme. They were concerned that lump sum schemes would become unsatisfactory if

governments increased the low tax rates that were currently payable on receipt of lump sums. They also proposed, to placate the desires for lump sums, that any pension scheme they supported must have the capacity to pay cash alternatives. FAUSA changed its policy to bring it more in line with the AVCC proposal whilst maintaining differences that involved entitlements and eligibility that were important elements of FAUSA policy and the FAUSA proposal.

The Universities gave ‘in principle support’ to the proposal and a drafting committee was established to prepare a Trust Deed for a national scheme. The committee represented both bodies and consisted of Professor David Caro and Dr. Stranks, who were appointed to represent the AVCC, Peter Byers and David Wood to represent FAUSA, and Arthur Beacham, who was the Vice Chancellor at Murdoch University, was appointed by the AVCC as Chair. The AVCC CEO, Frank Hambly and the FAUSA National Secretary, Les Wallis, R.H Campbell who had Chaired the earlier working party and R. W Byrom were appointed to assist the Committee. Chris White was its Actuary and Mark Cerche was approached and agreed to act as its solicitor.

The drafting committee set about preparing a Trust Deed. The first meeting was in November 1979. From then they met once a month for the next year at the Travelodge Motel at Melbourne’s Tullamarine Airport to save the interstate members having to travel into the city. Between meetings there were written and telephone discussions and preparations. Most of the meetings lasted for two days.

For the Trust Deed to form the basis of a successful scheme it would need to create strong and adequate foundations in three main areas; adequate and appropriate costing and funding of the scheme, provision of services to members and a structure that could enable the previous two. The design of the scheme had to cover eligibility and the nature and definitions of dependents. It also had to provide a title for the scheme. This led to long discussion but in the end it was decided it would be called ‘Superannuation Scheme for Universities’ (SSAU). The FAUSA scheme and the AVCC schemes were put on the table as models to be worked from. Point by point was discussed and debated until an agreement could be reached and a scheme that was acceptable to all was developed.

The members of the committee were a diverse group who represented the widely different views that thrived in the universities. The AVCC and FAUSA represented different stakeholders who had different ideas about details of the scheme that would best suit them. Most of the members had strong opinions and they weren’t always in accord with one another. But the one area of complete agreement was each of the members of the committee were determined to develop a robust and durable scheme that would provide university staff with generous benefits.

Some of those on the Committee were known to each other, in fact, some had worked very closely together in the past and had developed knowledge and trust of each other’s strengths and ways to work with their weaknesses. David Wood, David Caro and Chris White had previously worked together to redesign a scheme at Melbourne University; Peter Byers and David Caro had worked together at the University of Tasmania where Peter was the Business Manager and David was the Vice-Chancellor. The University of Tasmania, being one of the old universities already faced enormous debt due to maturing pensions that had been unfunded and so both Peter and David were acutely aware of the difficulties that arise for both administration and staff when inadequate schemes begin to mature.

The meetings were intense and exacting but always productive. If agreement was difficult the meetings lasted until the issues had been teased and reworked to everyone’s

satisfaction. It was not easy to design a scheme with no real precedent, but at same time this became a strength as there were no limitations on their vision and the best of different existing schemes could be incorporated. This was an opportunity to create a scheme that was superior to most schemes in existence at the time.

Many of the individuals on the Committee were known for having strong opinions and being outspoken in their advocacy of them. Debate was often forthright and sturdy. While the differences among the members of the committee sometimes made the drafting process complex they also ensured that narrow and unhelpful preconceptions were challenged and allowed the committee to assess a wide range of approaches and possibilities in coming to a resolution that would satisfy all.

The method employed by the Committee to prepare the Trust Deed was unique in the experience of Mark Cerche who was the solicitor appointed to the drafting committee to draft and give professional input commented on the style of the meetings:

‘It was effectively a negotiation of the Trust Deed.’

The strength of this approach was that it ensured that the Trust Deed that was developed would realistically represent the stakeholders and provide for their range of needs. The costing packages that had been prepared by the Caffin Committee and Chris White for FAUSA were examined and a costing was made for a scheme of 21% of earnings, paid as a 14% contribution by the employer and 7% by the employee. It was then agreed that the structure must ensure independence and be run by an independent Trustee. The shareholders would be the participating universities who would pay one dollar per share. And, to ensure that the fund would be managed in the interests of all parties into the future the shareholders would be represented by a Consultative Committee which would be elected by the management and staff of the participating universities. The Consultative Committee would be the guardian of the Trust Deed and elect a Board of Trustees to oversee the administration of the fund.

‘We didn’t want to set up a company that would then distance itself from the people who created it. It was there for its members. We always felt members had to have a say.If there were to be any benefit changes you needed a mechanism for changing benefits. You needed a mechanism for appointing Directors.’ David Wood

It was evident that the Universities would need some support from the government to manage their contributions to the scheme. Negotiations began between the Committee and the government. Up to this point the scheme had only included academic staff at universities. The government made it clear that they would be more inclined to provide funding if the scheme included non-academic staff at universities and all the staff of the Colleges of Advanced Education. The committee agreed to the inclusions and put to the government that they were establishing an independent scheme that would rescue the universities from their crisis.

Eventually a brief was prepared that was presented to the AVCC Superannuation Committee in June 1980. When that was approved a Trust Deed was circulated to universities and FAUSA members for feedback and comments which were then considered at the next meeting of the Drafting Committee. By November a Trust Deed existed that had been agreed in principle by AVCC and FAUSA.

The essential characteristics of the scheme were that it would be fully funded on the basis of 14% contributions from the employers and 7% from employees. It included indexed pensions at 2% for each of the 1st 20 yrs and 1% for each further year of

service. It provided for benefits to be available on withdrawal, death in service and invalidity. It allowed for surviving dependants benefits, early retirement benefits and provision for commutation in whole or part of most pension benefits. It was also careful to avoid any overt discrimination against women and to offer equity in the benefits to families on death or disablement.

'The scheme that eventually emerged was a compromise but I think it was a terrific compromise. I don't think either side lost any major battles. We argued horrifically at times, about spouses, about indexation, about commutations, about taking part pensions and part lump sums.' (David Wood)

The Trust Deed was circulated to universities with a request that the AVCC be informed by May 31 1981 whether or not they would be likely to join such a scheme. Members of the Drafting Committee would visit and explain the details and answer questions and the universities were invited to comment on the drafting details, though not on matters of substance.

The Trust Deed also had to be agreed by FAUSA and this took place at a meeting of the Representative Council in February 1981 which adopted the following resolution:

'That this Council

- a) Approves the superannuation scheme described in the Trust Deed for the establishment of the Superannuation Scheme for Australian Universities (SSAU) as an acceptable scheme for Australian university staff in categories covered by each member association; and
- b) Urges member associations to encourage and support their universities to become participating institutions in the SSAU where this scheme is seen to be superior to other existing or prospective schemes available to staff categories covered by each member association.' (Minutes, FAUSA Representative Council meeting February 1981)

The AVCC resolved to discuss the scheme with the Tertiary Education Council and the Universities Council. Members of the Drafting Committee visited nearly all the Universities outside NSW during 1981 and a sufficient number of universities agreed to join. More importantly nine universities; the ANU, Adelaide, James Cook, LaTrobe, Melbourne, Murdoch, Queensland, Tasmania and Western Australia; agreed to provide \$20,000 each to start the Superannuation Scheme for Australian Universities.

It was already clear NSW universities would not become involved initially, since their staff, except in some cases the Professors, were required to belong to the State Super Scheme and legislation would be necessary to change this.

Everything was in place except for the funding Universities would need to have guaranteed if they were to be persuaded to join. The AVCC continued to press TEC and UC for extra funding to cover the employer contributions and negotiations continued with the Commonwealth Government. In the end the government accepted that SSAU met the criteria to become an approved superannuation scheme and agreed to provide the 14% of salaries to cover the costs of the employer contributions but at this stage they only extended the offer to Universities and not to the CAEs. Including the ANU in the SSAU was leverage with the government who were aware this had saved the Commonwealth from unfunded liabilities.

By May 1982 the Trust Deed was complete and the Trustee Company SSAU Nominees Pty Ltd. was incorporated. In November formal approval of the Trust Deed was given by

the Federal Government and the method by which the employer contributions would be subsidised was confirmed.

On the 29 November 1982 an interim Board of Directors was appointed. The articles of association required the constitution of the Board to follow a formula for representation of the various involved parties at the universities. The membership of the interim Board consisted of:

Representatives of the Universities:

Professor Keith Hancock, Chairman of SSAU Nominees, Vice-Chancellor of Flinders University,

Mr Jim Ritchie, Vice Chairman of SSAU Nominees, Deputy Vice-Chancellor, University of Queensland,

Professor Arthur Beecham, Former Vice-Chancellor, Murdoch University,

Prof Roy Lourens, Deputy VC, University of WA,

Representatives of the academic staff:

David Wood, Chairman of Dept of Chemical Engineering Uni of Melb.

Mr. Peter Byers, Assist to the Vice-Chancellor, University of Tasmania,

Representatives of non-academic staff:

John Schache, Dept of Physics, Uni of Adelaide,

Andrew Stevens, Dept of Physiology & pharmacology, Uni of NSW,

On 24 December 1982, the Trust Deed executed when it was signed by David Caro for the University of Tasmania and Keith Hancock for SSAU Nominees Pty Ltd.

Chapter 2

The Establishment of SSAU

The Trust Deed set out all the rules in relation to contributions and benefits; rights and obligations of members and employers; powers and responsibilities of the Trustee; and, requirements for accounts, audits and actuarial investigations. With the rules in place everything was now set to begin building the organisation and realising the vision. To meet its obligations in its first year SSAU would have to convince a number of universities to join the scheme, establish an office, recruit staff, develop an investment strategy, begin to invest funds and arrange for the election of the first Consultative Committee which would, in turn, elect the first ongoing Board of Trustees.

Before any of this could be set up a CEO had to be appointed and this was finalised on 7 January 1983 when Keith Hancock and John Chappell (always known as Jock) signed an employment contract. Jock had been the successful candidate in a selection process in November the previous year. A Committee consisting of Keith Hancock, David Wood and Mark Cerche was assigned the job of finding a CEO. Advertisements were placed nationally and internationally in the hope of reaching the best candidates. The right candidate needed a broad range of high level of skills and experience, yet could not be offered security of tenure until the Fund had become fully established and the incoming CEO was vital to this success.

Although several of the Interim Board members intended to continue their involvement by providing practical support to the establishment process, they needed a CEO to take on

the major role. The successful candidate would need a range of qualities to meet the challenge: a breadth of vision that complimented the intention of the Trust Deed; a social awareness to apply its spirit; a sharp eye for implementing the detail of the Deed; well-honed skills in financial management, company management and people management; an ability to liaise successfully within the social and cultural environment of the higher education sector; the ability to negotiate with Vice-Chancellors, lobby government ministers; manage a sometimes difficult and diverse Board, run an efficient but harmonious office and deal with literate, articulate members who were well aware of their rights.

There were many applicants but a short-list of three was identified for interview. Two of the three were seriously considered but in the end Jock was the favoured candidate. Jock was an actuary which stood him in good stead as, at the time, actuaries were the major advisors on superannuation schemes. The contract was active from January 10th 1983 to January 10th 1988. The salary was fixed in line with a State Public Service Division Two, Level Four, at \$49,100 and Jock was required to provide his own motor vehicle for which he received an annual allowance of \$5,400 to cover costs.

Once the CEO was appointed the work of recruiting universities began. Participating institutions would become parties to the Trust Deed by executing a simple Deed of Covenant, a prescribed form that entitled relevant members of their staff to join the Scheme. The agreement automatically ensured that all new staff would become members of SSAU and receive the benefits as set out in the Trust Deed. The situation for existing staff was much more complicated. In the first place they were given a choice as to whether they would shift across to the new scheme. It was necessary to make this seem attractive, particularly to members of the generous schemes in the old Universities. At the same time it was the older Universities that were most keen to join the new scheme to help allay their growing liabilities. Chris White developed a formula to establish the benefits that could be paid to members which took account of the service of the member and the abilities of the Universities to transfer funds, including the past contributions of at least 15% of salary. If they could transfer assets of at least this amount, members would receive pensions based on a formula for full service, but if the assets were less the amount of service included in the pension calculation was also less.

The recruitment process involved a team of Peter Byers, David Wood, Chris White and Jock Chappell (often referred to as the Gang of Four). They visited the universities, around the country, one by one, to persuade them to join and to negotiate the exact terms that would satisfy the Actuarial requirements of SSAU on the one hand, and fall within the budgets of the universities on the other. Both university staff and administrations had to be convinced that joining the scheme was advantageous to all. The universities were aware that the AVCC had been involved in the design of the scheme and were in favour of them supporting it. Staff were aware of the involvement and ongoing support of FAUSA. The visits involved discussions with the superannuation officers, the bursars and sometimes the vice-chancellors. Often it meant addressing meetings of staff to inform them of the benefits of joining. After the initial meetings Chris White would gather information about existing arrangements and funds and develop actuarial calculations that would determine the funds the universities needed to transfer and the benefits that would be available. The negotiations were often difficult and 'some hard bargains were driven'.

Those who were in existing schemes had a twelve months option period after their universities had joined to decide whether they would join SSAU or maintain their existing arrangements. Most of the people who came in from existing schemes had all their previous service recognised regardless of what money they were able to bring with them.

In most cases the money they did bring was not adequate to fund the benefits when they were due to mature. As a result the scheme was under-funded in its earliest days, but was also confident that it would make up the short-fall with a prudent investment strategy.

On 1 March Murdoch University joined and became the second participating institution and on the 1 April the ANU joined to become the third. On 1 May the University of Melbourne and the University of Western Australia signed up and on 10 June the University of Queensland, Griffith University and James Cook University joined. The readiness of universities to join depended on circumstances rather than any disagreement with the principle of the scheme. The NSW universities were aptly catered for by the NSW State Superannuation scheme and some other universities were afraid that joining would create a rush on lump sums from older funds that they would find difficult to meet.

As the universities began signing up, Jock began recruiting staff to service their new members. The original staff team all had significant experience and a mixture of relevant backgrounds. John Green was appointed as the Administration Supervisor and was recruited from the University of Tasmania where he had worked for the previous thirteen years. Sue Browne was appointed as Secretary and Executive Assistant and had been with the Stock Exchange for five years. Kevin Beasley was from National Mutual Life was recruited as a Liaison Officer, Delfina Grillo was an Accountant who had worked with Adriatic Life Insurance for sixteen years, Jim Bubniw was the Administration Officer with seven years experience with Victorian Hospitals Superannuation Board and Kathy Csillag was a Word Processor Operator and Typist and had been at the Stock Exchange for two years.

In April the staff moved into an office in an old refurbished building at 11 Bank Place in the heart of Melbourne's central business district. The office at Bank Place was modest and consisted of a Board Room, an office for the CEO and a long narrow space that was divided with a few partitions and included the kitchen. There was one computer that was shared by all and mostly used to process the multitude of letters that had to be sent out. There was also an enormous amount of paper work. Cheques had to be written by hand, numerous government forms had to be filled out by hand and Delfina Grillo kept the accounts by hand on fourteen column ledger paper. Almost immediately claims were approved for three retirement pensions and one disability pension.

The first telephone number was 03 602 5077.

In July a bulletin for members was published. Its first words were carefully chosen and showed a delicacy in sounding formal and positive but not promising too much.

'At a recent Board meeting it was decided that it would be a good idea to produce a Bulletin, as a means of keeping all interested parties abreast of current development in SSAU, particularly at this early stage of development.

'As the masthead implies, we expect that there will be subsequent issues, but their timing will depend on future events.

'It is not intended that this informal Bulletin should in any way replace formal communication to participating institutions of SSAU.'

As the first year of the scheme's operation drew to a close and it was clear that the vision and aspiration of its founders were being realised but there was once more vital component that still needed to be established.

On 8 November four representatives from each of the eight participating universities flew into Melbourne for the first meeting of the Consultative Committee. They had been

elected at their respective universities in September according to the formula that was outlined in the Trust Deed. There were two members representing the University administration, one representing academic staff and one representing non-academic staff.

On the evening of their arrival a dinner was organised to welcome the members of the Committee and give them a chance to get to know one another and become familiar with their new role in the new scheme. The Consultative Committee provided a level of democracy to the fund that was unique in all financial organisations and superannuation funds at the time. It consisted, not just of representatives of the shareholders, but of the consumers, the members of the fund and it was this committee that elected the Board of Directors. The Consultative Committee also provided a forum for issues that arose at any of the universities to be raised, provided feedback for initiatives and gave indications of how well the fund was being received on the ground.

David Caro believed it was more like the Board of a company than anything else. He said:

‘It may technically have only advised the Chief Executive, but the Chief Executive would have been very unwise not to take its advice, so it was like a company Board.’

The Chief Executive, Jock Chappell, familiar with the financial world and not the world of universities, was a little nervous of the Committee at its first meeting. He asked David Wood for advice about the form and style of his opening address and David remembers that he told him to make sure his overheads were big enough for everybody to see them.

The first task of the CC was to elect Directors to take over from the Interim Committee at the inaugural AGM which was to take place the following day. They also made the first changes to the Trust Deed. The first of these involved an interpretation of the word ‘service’

‘for the purpose of calculating pensionable salary the Deed provides a procedure for averaging a members’ indexed salary over the last five years prior to termination of employment unless he/she has had less than five years service, when the averaging period is correspondingly shortened. – this ‘service’ whilst member of SSAU.’

The second was to establish that the date of pension payments would be the 28th of each month.

The following day the first AGM was attended by 7 of the university shareholders. First business was the acceptance of the Accounts and the Directors’ Report for the period to 30 June 1983. The next item was to elect the new Directors who would assume their positions at the end of the meeting when the Interim Directors would have completed their term. The recommendations of the CC were adopted. This was the only year that all Directors had to be elected, as the terms were each for two years and in future years only half the incumbent Directors were to retire. Three members left the Interim Committee, they were Keith Hancock, John Schache and Andrew Stevens because their universities had not joined the scheme.

David Caro was elected the new Chair. He had accepted an appointment back at the University of Melbourne as its Vice-Chancellor. The opening address was given by the new Vice-Chancellor of Tasmania University Alec Lazenby who opened his speech by paying tribute to David Caro who, he believed, should really be giving the address

because of his strong involvement in the development of the scheme. The general tone of the address was proud, light-hearted and inclusive.

He effusively thanked the Interim Directors and talked about the early successes of SSAU:

‘The SSAU can be said to have been a considerable success. Eight universities are presently members of the Scheme, two in Western Australia, one each in Victoria and Tasmania, the Australian National University, and three in Queensland. It replaces the inadequate FSSU scheme based on endowment insurance policies, and is both financially soundly based and helps promote the interchange of staff between the institutions.

‘The interim Board has done a very good job in achieving balanced terms of entry for all institutions. Whilst some hard bargains may have been driven, the negotiations were conducted with good humour and understanding.’ (Opening Address at Inaugural AGM)

At the end of the first year the new Directors took over a young scheme with enormous potential for growth, but with significant success already secured. This was undoubtedly in part because of the good judgment and intelligence that was embodied in the Trust Deed, in part to the dedication and commitment of the Interim Board and its Committee members and in part to the appointment of Jock Chappell who had already proved to have the acumen necessary to manage the scheme and oversee its progress.

David Caro, the new Chair of the Board of Trustees said of Jock Chappell:

‘Jock was a very good CEO. People seemed to be happy working with him and he was also very good with the universities. We were lucky I think. He got on well with people and he was also a good numbers man, he could do his sums just about as well as the accountants and just about as quickly.’ David Caro

And Mark Cerche who had been involved in the drafting of the Trust Deed and who had been appointed as the scheme’s solicitor said:

‘He did a magnificent job of bringing it together.’ Mark Cerche

Early Investment

None of the early successes would have amounted to anything at all unless the investment strategy was able to underpin the liabilities and add value to the fund.

Once Universities had joined investment returns at least had to meet the requirements for benefits to be paid according to the determining formula. In the first year the Investment Committee was elected from the Interim Board. It was chaired by Peter Byers and attended by Jock Chappell and Chris White who attended as Consulting Actuary. In the first year of operations almost all funds were invested in cash deposits, but in the second half of the year an investment strategy was developed.

The first task of the Committee was to determine the asset allocation in the broad sense and this was done with recommendations from Consulting Actuary. Other Consultants also attended meetings to offer advice on particular matters. Having determined the asset allocation, the Committee needed to determine which fund managers they would use. A lot of the money came from the universities in the form of existing investment arrangements which already had established managers. Decisions had to be made as to

whether to leave the money with these respective Managers or move it to a preferred Manager which often involved penalties that would have to be factored into the decision.

Once the structural decisions were made it was then necessary to identify some tactical criteria such as who the fund invested with, how they made the decision, what type of objectives were expected and how to measure the performance of fund managers and if they didn't perform, what to do about it.

The Benefit scheme which is related to salary when people get to retirement has an inflationary element and therefore the best assets to match that are those that rise with inflation but these are rarely found. The accepted wisdom had been that ordinary shares and property were better than fixed interest. This led to a broad allocation around those major types of investment.

The broad strategy that was adopted in the first year was to use the services of professional portfolio managers for most investment functions. At the June Board meeting the Directors accepted recommendations from the Investment Committee that a panel consisting of three Merchant Banks, one Trading Bank and one Life Office be appointed to manage the free funds of the Scheme, ie those assets and contributions which are not already committed. The appointed portfolio managers were: Australia United Corp, BT Australia, Schroder, Darling & Co Ltd, Westpac Investment Management Pty Ltd and the AMP Financial Services Ltd. The investment role of the staff of SSAU Nominees was essentially confined to managing sufficient short-term deposits to pay benefits and to monitor the performance of the managers against economic conditions generally.

In 1985 the same concern was raised when the Australian dollar fell 18% against the US dollar over the year and 34% against the YEN. However in that year the Australian share market showed a high overall return of 42% for the year. The investment committee were concerned that the weak dollar and slowing economy would lead to uncertainty of Australian shares. Showing a useful ability to readjust in the face of changing circumstances the committee decided to increase its overseas share allocation from 4% to 14% and total overseas investments from 4% to 18%.

These early investments were extremely successful. The fund made an early and unusual decision to invest in Macquarie Bank. This became quite a boon for the fund.

David Caro described the investment policy that had developed.

'The main tactic was to make sure you have a safe spectrum. There could be a degree of risk that was perfectly acceptable because risk is coupled with high returns in many cases, but you had to be careful that your risk was not so high that your return got lower and not higher. That was the policy of the place and it did very well on that.' (David Caro)

The schemes investments had done extremely well. In 1986 the investment returns were a very healthy 32.5%, which more than compensated for inflation and had also begun to address the shortfall in funds received and expected liabilities. This had been achieved with a mixture of wise investment and a buoyant market. The big test of the durability of the investment strategy and the methods of the Investment Committee and Jock Chappell came in the aftermath of the stock market crash in October 1987. The crash sent shivers through everyone and the SSAU received a deluge of enquiries about the effects it had on the scheme and the measures that had been taken to maintain the fund.

The performance of the investments in the first half of 1987 had been 15.8% which was equivalent with the high yield received the year before. July and August had also been high yielding months and the investment committee, aware that stocks were trading both in Australia and overseas at historically high levels, were becoming nervous that the levels of performance could not be maintained. They had a high exposure to equities because of the market value growth of that sector. At the Board meeting in August it was decided to reduce the Scheme's exposure by diverting funds into properties and cash. As a result, when the market crashed in October, the fall in the Scheme's assets compared favourably with the stock market as a whole (down by over 40%) and with the performance of major fund managers.

SSAU lost 21% in October 1987 which was low compared to most. It was generally accepted that the performance of SSAU had been astute. The July-September quarter had seen a high return of 15% and over the whole the year it showed a positive yield of 3%. This measured extremely well in comparison to other funds.

There was one fund that had suffered a great loss in the crash, particularly in the portfolio held by SSAU which lost 80%. In the end this served as a stringent lesson for the Committee in the need for extreme diligence in selecting fund managers.

Early Technology

One of the distinctive qualities that Jock Chappell brought to the fund was that he had unusual knowledge, for the time, of the promise that computer technology held. Before working with SSAU he had been the head of a project that was to establish a computer link between the Melbourne and Sydney stock exchanges. This experience provided him with knowledge and contacts in the budding computer industry that he put to use at SSAU almost immediately. This was enhanced by the availability of computer expertise and hardware at the universities.

The costs could be curtailed because the universities had the infrastructure, the skill and expertise as well as superannuation officers. The idea was that the SSAU office would become a remote site based in Melbourne that provided interactive on-line administration access to members at their workplace. This was not only an economic and efficient way of administering the fund, it was also an advantage in promoting the scheme to universities who had not yet joined.

After an early attempt was unsuccessful CSIROnet which was the only system with a network into the universities was contracted. The system relied on dial-up lines and touch screens. It was cost efficient to SSAU who only had to pay for the modem, the telephone lines and rental for space on the network. The first university to be brought into the system was ANU. Geoff Barnett had been working on getting the system running in the Melbourne office and travelled to Canberra to launch it. His plan was to fly up and back in the one day, but the connection couldn't be made on the first day so he had to stay overnight and get it working the next day. Once ANU was on-line the other universities followed suit and it soon became a tried and tested system that was an integral part of the procedure of SSAU. It paved the way for many more innovations in computer technology.

While the first year had seen the foundations of the administration of the fund laid, the second year saw it flourish. The year of grace offered to existing members of university

funds delayed the entrance to SSAU of many members and so in the second year of operation the fund grew as assets were transferred from the former University funds. Two new services were offered in February 1984 to facilitate the transferring of funds for these members. A deposit account was introduced and a roll-over facility which enabled lump sum benefits to be rolled-over into the SSAU Deferred Benefit.

In its second year of operation the assets of the fund grew almost twenty-fold. In January 1984 the net assets were 13 million dollars and by the end of December that year there were 258 million.

The acceleration continued as more and more universities signed up. Another leap took place in January 1985 when the Government finally granted the CAEs the same conditions of funding as the universities. Fifteen joined immediately and once again, members of existing funds were given twelve months to decide whether to join or not. This meant that it took nearly twelve months for membership to increase.

The last eligible group of universities to join were those in NSW when the State scheme changed its rules and benefits for new members. The first NSW universities to join were Sydney, New England and Wollongong who joined for their new staff. Universities of Newcastle, New South Wales and Macquarie soon followed.

By December 1987 there were seventeen participating universities, eighteen CAEs and nineteen related bodies. The organisation had out-grown its offices in Bank Place and moved to a larger space in Collins Street. And by December 1988 the fund had assets of 900 million dollars.

Regulation of superannuation funds was tightened and made consistent with the introduction of the *Occupational Superannuation Standards Act 1987 (OSSA.)*

This required industry superannuation schemes to have a particular constitution including the full vesting of benefits arising from employer and employee contributions; the preservation of superannuation benefits until age 55; greater member involvement in the control of superannuation funds; and, the security of members' benefits.

'Guide to SSAU was published for members. It clearly set out the objectives.

Objectives

'SSAU is designed to provide all eligible staff of participating institutions with a package of superannuation coverage including

- Pensions payable
 - From retirement at the normal retirement age
 - On early retirement after age 55
 - On permanent disablement (as defined)
 - On temporary incapacity
 - To a spouse and/or dependent children on the death of a member
- Lump sums payable
 - Wholly or partly in lieu of a pension (commutation)
 - On resignation

o To the fund of a new employer on change of employment

The design of the Scheme is directed towards meeting the specific needs of members, rather than providing the more common lump sum benefits that are payable under managed fund arrangements, regardless of the income requirements of members or their dependants. A very important feature of the Scheme is the maintenance of the real value of pensions. Pensions are increased annually in line with movements in the Consumer Price Index.
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A Guide to SSAU, 1987

The importance and the advantages of having a democratic governance structure became evident in 1989 (##) when Dianna Olsberg was elected to the Consultative Committee and then to the Board of Trustees. This structure ensured that social changes on campuses were reflected in the governing bodies of the scheme. In the late 1980s attitudes to the roles of women in society had changed dramatically and women had become a prominent part of the workforce but they were only beginning to emerge at decision making levels and in governance structures.

Dianna Olsberg had completed a PhD on the inequities in superannuation provision in Australia. While writing the PhD she worked as a tutor at the University of NSW and became keenly aware, that she herself, was excluded from superannuation because she was not a permanent staff member. She was also aware that women were a greater proportion of temporary employees, while men were the greater proportion of tenured academics. With these insights, and her expertise on superannuation, Dianna was encouraged by other women to stand for the Consultative Committee and as a Director of the Board once she had secured a permanent job as a lecturer. The Board were all males and its composition hadn't changed since its inception but Dianna won a position on the Board and became the first woman to serve. She also brought onto the Board a wealth of expertise on superannuation in Australia.

A New Tennant

Formation and Establishment of TESS

Five years after its foundation SSAU was already established as the premium superannuation fund for universities and colleges in Australia. Having surpassed the expectations of its founders in every way, it was now a fully functioning scheme with a number of retirees and other beneficiaries enjoying its fruits. Yet despite its success there remained some obvious gaps. SSAU was still only available to academic and permanent administration staff leaving a large proportion of higher education sector employees without superannuation.

It is heartening to note then, that even while the discussions and negotiations that formed SSAU were taking place, other meetings were also happening that sought to address the lack of super coverage for all Australian workers.

Even before the Hawke Government was elected in 1983 on its promise to control wage rises and bring down inflation, the ACTU had begun a campaign to have superannuation entitlement extended across the entire workforce. With concerns already developing about the ageing population and the implications of that for government budgets, the ACTU began pushing for the extension and improvement of the existing system so that it covered all workers.

To make superannuation as accessible as possible, a number of core features were identified. Portability between employers, industries and occupations was a necessity, as was the ability to roll over funds from one scheme to another. It was also important for unions that workers had a say, not just in the direct management of their investment funds, but also as representatives on the board of trustees.

At the time, one of the few models of a successful scheme involving multiple employers within an industry was SSAU. Recognising its merits, the unions used the SSAU model to run a campaign in the building industry to set up a scheme that emulated its quality, yet also established union involvement in its management. It quickly became extremely successful and not only offered building workers superannuation, but also showed that the scheme designed by the unions was feasible.

Following this success, in 1985 the ACTU, supported by the Government, made an application to the National Wage Case for an overall wage increase of 5%. This included an innovative approach - while 2% was to be a wage rise, 3% was to be paid by employers as compulsory superannuation contributions into government regulated funds.

This inspirational strategy served a triple purpose. As the start of universal superannuation provision for all Australian workers, it also established an extra 3% wage rise without disturbing the Wage Fixing Principles, (3% in superannuation savings wouldn't affect inflation). Importantly it also began the process of individual savings for retirement that would relieve the government burden in years to come.

'Award Superannuation' as it became known was formally introduced in February 1986 when an Australian Conciliation and Arbitration Commission agreement between the government and unions was signed. In June it was included in the National Wage Case decision with stipulations that the new industry schemes must conform to the Commonwealth's operational standards.

It now fell to each sector to formally apply for the Award.

As unions in the higher education sector began to prepare to have the award granted to their members, the complexity of the situation was revealed. SSAU already had many of the qualities required for an industry scheme, but it was not available to everyone in the sector. Secondly it only offered a defined benefit scheme and the favoured approach for the 3% award contribution was an accumulation plan. Thirdly while the ACTU model requiring a board of five union and five management appointees with a neutral chair, wasn't mandatory, it was the preferred model for the higher education unions. The Board of SSAU at the time was elected by members and employers, but they weren't nominated by the unions or employer organisations.

Despite numerous meetings and discussions between the two major higher education unions and SSAU, agreement couldn't be reached.

As a result, representatives from the ACTU, the higher education unions and the employer organisation - the Australian Higher Education Industry Association (AHEIA) - met and decided to set up the Tertiary Education Superannuation Scheme (TESS).

An interim committee, officially called the Directors Designate, was established to oversee the process and find a suitable management company for the scheme. Tenders were called for and SSAU made an application with some obvious advantages.

With pre-established infrastructure and member services in all the universities, SSAU already had a well-developed knowledge of the sector. They also held existing accounts

and associated information for all of those who were already members of SSAU. At the same time they had an excellent record as an efficient and effective superannuation fund manager and could demonstrate that they had the capacity to manage a second fund.

However one obstacle remained. As the management company of an existing superannuation scheme, legislation restricted them from doing anything other than managing the superannuation funds of their existing members.

Outwardly this precluded them from managing TESS and so they took a courageous step to enable them to resolve the problem. A new company, SSAU Management Pty Ltd was established.

Although SSAU provided many advantages to TESS it was in the end, the costs they quoted that sealed the deal. Understanding the advantages of the two funds being administered by the same company, they quoted a cost per member that was very close to the margin. In a report to the SSAU Board, Jock Chappell wrote:

'It is likely that actual recoveries from TESS through 'management' to SSAU over the initial three year period will leave relatively little profit over the marginal basis ...'

(Memorandum to Board Document 881)

The negotiations were nevertheless delicate. At one stage difficulties arose when the TESS Board insisted that they must be able to retrieve all the records of TESS members from the computer system at any time. SSAU were unsure if they could deliver this facility. Luckily a solution arrived in the form of new Board member Jim Potter, the then registrar of Melbourne University.

Jim's responsibilities at that time included overseeing the computer division of Melbourne University so he worked with SSAU to develop a program that would enable the required retrieval if necessary.

Jim Potter's appointment as an employer representative on the newly created Board of TESS also helped cement the union-endorsed model. Now with 5 representatives from each of the employer and employee organisations, and one independent Chair, the governance of TESS was established.

If there had been concerns that employers and unions would have difficulty working together they were unfounded.

The ACTU put forward the name of Gordon Hannah as a Chair. And his nomination was readily endorsed by all parties. As a retired life insurance executive he had a wealth of management and fiduciary experience as well as having been an active member of the Insurance Employees Industry Association.

In fact history shows that the TESS Board worked extremely well together. When votes were taken at meetings the discussion almost always reached a consensus view.

Jim Potter who remained on the Executive of TESS for its entirety remarked at the professionalism he observed:

'Both sides carried out their business with the greatest cooperation that you could imagine. All the people that thought this was going to be the end of the world – they had no idea. .'

<p>On June 29 1988 the Directors of TESS Superannuation Limited held an initial Subscribers meeting. Those present at that meeting were:</p>
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Gordon Hannah - Chairman Designate

Alec Conolly,- Australian Universities Industrial Association

Denise Gaughwin – Federated Australian University Staff Association

Tony Pritchard (representing M Logan) - Monash University

Charles McFarland - Victoria College

Frank O'Neill - University of Adelaide

Jim Potter - University of Melbourne

Lachlan Riches - State Public Services Federation

Peter Summers - Union of Australian College Academics

Nigel Wood - Victorian Colleges and Universities Staff Association.

- TESS officially came into being on 1st July 1988.
- The Trust Deed was executed on 10th August.
- The TESS award was made on 31st August 1988.

The dual occupancy of TESS and SSAU was dependent on the establishment of SSAU Management Pty Ltd which had its inaugural meeting on Thursday May 26th 1988. The Directors of the new Management company were Jock Chappell, David Caro, Geoffrey Vaughan and David Wood. David Caro was appointed Chair and it was reported that the company had been incorporated on 28th April 1988. Michael Green was appointed Secretary and Public Officer. The establishment of the management company was to serve the organisation extremely well. It allowed them to offer and execute management services to TESS, ensuring that the two schemes servicing the tertiary sector were under the same roof, but also in later years it was able to offer financial services to members that went far beyond servicing their superannuation funds. Although the legal entities had been established, the division of resources devoted to of each of the three entities within the one overall administrative machinery was not clear. In December 1988 the profit and loss statement for SSAU Management Pty Ltd showed an income from management fees of \$243,096 and expenditure of \$278,903 for the preceding six months. In fact the charging of TESS for a management contract had been a simple negotiation compared to the actual business of separating out and attributing costs within the organisation.

The same day the government brought down a mini-budget. There had been enormous growth in superannuation since the introduction of Award Super and the tax concessions given on super contributions had put a strain on government tax income. To address these problems changes to the taxation of superannuation were announced by the government in a statement issued in May 1988, the *Reform of the Taxation of Superannuation*. The government expected to recoup \$925 million in the first year of the tax which would become effective in July 1988 and saw employer contributions, the investment income of superannuation funds, rollover annuity funds taxed at the rate of 15% and the tax on lump sum benefits was reduced.

While the government now received its tax immediately instead of waiting for benefits to mature, the superannuation schemes had to pay the tax upfront. For SSAU the implications of this were profound. It meant that the contributions of 21% received for

members would effectively be reduced to 18.9% and the Actuary had calculated that the scheme couldn't operate without at least 19.3%.

This challenge was met with the same perspicacity as others before it. On June 7 the Board held a special meeting to develop a plan of action. They decided it was necessary to call a Consultative Committee meeting to have proposals adopted that would approve changes to the benefit profile. The Consultative Committee agreed that the benefit profile was reduced for members who become entitled to benefits on or after 1 January 1989.

However new investment measures were also taken to offset the new tax regime which were so successful that by July 1989 not only had the 15% tax been absorbed but members benefits were increased from a large Actuarial surplus. At the end of 1989 the fund had not only come through a crisis that could have been terminal with improved benefits for members but it had also passed two more milestones. It now had 20,000 members and assets in excess of \$1 billion.

It was also in the process of developing a new benefit which was called SSAU Mark II. Mark II was to commence in January 1990 and was to apply to all new members joining on or after that date while previous members had the option to choose whether to shift over or not. Mark II introduced Division B which was significantly different most of all because it offered a lump sum component in the shape of a formula lump sum and pension based benefits, a calculation on the basis of benefit x service x age factors, and the pooling of all money.

As the plans for SSAU Mark II developed another plan was hatched by Jock Chappell. He had long been aware of the anonymity in the name of the fund in its acronym SSAU, as well as, the clumsiness in the use of the whole title, Superannuation Scheme for Australian Universities.

Jock remembers there being a general frustration with the office staff because they found it awkward to establish the name of the organisation with other businesses.

'One day one of the office staff came off the phone as I was passing and complained; "They never know who we are when we say SSAU." I just said, I don't know where it came from, but I just said; "oh say we're Unisuper," and the name just stuck.' (Jock Chappell)

So when Mark II was being developed Jock decided to make the new name official for the management company. The Consultative Committee meeting which was to approve the changes was held in a theatre and Jock made a poster which showed a car beside a petrol bowser. On the petrol bowser were the words Unisuper and Jock said; 'here's the new superannuation vehicle that's going to take us forward.'

There was inevitably lively discussion about the suggestion. Some of the Committee believed that SSAU was now an established brand and that any name change would cause confusion. Nevertheless the catchy new name won support, it was argued that it provided instant identity of what it was, it was short and snappy, and it provided an umbrella logo or trade mark to encompass total superannuation benefits in the higher education sector, even though the schemes were still called SSAU and TESS.

In 1990 TESS and SSAU became closer when their data bases were amalgamated. It would have seemed a simple job but combining the two sets of data proved difficult, particularly because of the stipulation of TESS that their data had to be comprehensively retrievable if they needed it, at some stage, to find new management.

Another change was also expected to bring the two schemes closer. It was decided that it would be more efficient if both had the same relationship with the management company. This provided an opportunity to incorporate the name that had long been used but not owned – UniSuper. Therefore UniSuper Management Pty Ltd was established as the management company for both TESS and SSAU

Towards the end of 1991 Jock Chappell resigned as the CEO of UniSuper Management Pty/Ltd and SSAU. He had proved to be an excellent choice for the first CEO of the organisation. He was held in high regard by those he worked with including the staff, the Board of Directors, the university community and the financial world. He was regarded as charming, intelligent and adroit. He had worked closely with the Board and his staff, and some gave him a large share of the credit for the success of the fund in its inaugural period.

When Jock left the fund had grown in every dimension. It had 1.6 billion dollars in funds under management, managed by 14 major fund managers. It had large investments in equities and had led the way in its investment in property. It had significant holdings in Broken Hill Proprietary Co Ltd., Macquarie Bank, the National Australia Bank, Northpoint Sydney and Capalaba Park Shopping Centre. It had an overall return of 17.6% and had averaged 11.7% over the previous 3 years which had clearly satisfied the Trustee's investment objective. There were 32 Universities, 9 Colleges and 35 related bodies and 26,000 members in SSAU and 65,000 in TESS. There were 25 staff.

The Board needed to find a new CEO.

Ron Champion was approached. He was Director of Superannuation Policy and Management, at the Department of the Treasury, of the Victorian Government and the Victorian Government Actuary and a fellow of the Faculty of Actuaries and Vice President of the Institute of Actuaries of Australia. As well as this he had a great deal of experience of superannuation in the higher education sector. He had been a consulting Actuary and involved with developments at both Monash University and Melbourne University. Most significantly he had been the Director of Superannuation for the Victorian State Treasury when staff in the CAEs were joining SSAU. He joined UniSuper in September 1992 and became CEO on January 1 1993.

UniSnooper was started by the staff in June 1992. It was a staff journal that carried social news, jokes and reprinted articles from other sources of various interest. It stopped in 1998. UniSnooper was a journal of its time, when the organisation was small enough for everyone to know everyone else, but big enough to need a 'bulletin' to communicate and keep all the 'family' in the picture. UniSnooper was an internal gossip magazine with jokes and awards and news items of interest. Ron Champion fostered the journal and sometimes contributed dry witty pieces. It was largely produced by Greg Momsom who always referred to himself as 'The Editor'.

Over the next few years the government made more changes to superannuation requirements that impacted on the operations of all funds. It introduced the Super Guarantee which marked the beginning of compulsory superannuation, requiring all employers to make superannuation contributions on behalf of employees and made them liable for a non-deductible Superannuation Guarantee Charge if there was a shortfall. The Superannuation Guarantee was to be collected through the tax powers. It was expected to provide a major extension of super coverage; an efficient method of encouraging employers to comply with their obligation; and a mechanism for government to increase the employer contribution. One of the immediate implications for SSAU and TESS was the decision to accept contributions for TESS members above the 3%. This

began to give this scheme more flexibility and was another step closer to the facilities in SSAU.

The government also introduced a provision to bring women's pension age eligibility in line with men – age 65. Most significantly for SSAU and TESS it also proposed the introduction of Choice of Fund which created a flurry in superannuation circles generally and some anxiety for SSAU and TESS.

In 1994 the Superannuation Industry (Supervision) Bill was enacted. This was designed to ensure that funds managed assets to maximise retirement benefits for members and effectively replaced the OSSA legislation.

David Caro, who had been the Chairman of the Board of Trustees of SSAU since its inaugural AGM announced his resignation from the Board in November 1993. His departure marked the end of an era for the fund. He had been one of the prime movers in its formation and was regarded by many as having been instrumental in the success of the scheme. He had developed a close working relationship with Jock Chappell that had proved expedient for the advancement of the scheme. He was known to be highly intelligent, very fair and unflappable. His manner at Board meetings was always polite and considerate but with a will of steel when necessary.

At his retirement a speech was given by Roy Lourens, who had worked alongside David since the beginning. He finished his speech saying:

'However, we can, I think say with much confidence that history will certainly speak well of the unique contribution made by David Caro in his role of promoter, part-designer, director and Chairman of UniSuper over the past 12 years and more. The benefits are being and will be, felt by many tens of thousands of university staff as a direct outcome of your personal contribution, together with the contribution of others here today and elsewhere.'

Before David Caro's departure Brian Smith was approached and invited to come onto the Board as Chair. Brian was about to retire from a position as Vice-Chancellor of Western Sydney University and was planning to move back to Melbourne when he retired and agreed to take on the role. This choice showed the extent to which the scheme had matured. Brian was familiar with the academic landscape and had also spent many years as the head of RMIT so he knew the landscape of the Colleges as well. He came in with a fresh outlook. The fund had now developed a great deal of expertise in its staff, among its Board members, and its new CEO had a wealth of expertise himself. Brian Smith was able to compliment that expertise he brought from outside the superannuation industry a broad approach to fine tuning the business making sure it stayed abreast of modern trends of professionalism.

In October 1995 the scheme past another landmark. Investments passed \$3 billion.

The services were also expanding and member communication improving. Retirement counselling services were introduced, the product range was expanded, and in-house analysis began to take place. Another move of offices took place when once again the organisation outgrew its office space and moved to the Commonwealth Bank Building on the corner of Bourke and Elizabeth Streets.

The legislative framework was changed again in 1996 when the Howard government was elected and shifted superannuation policy in a different direction while introducing new changes. It introduced a surcharge on contributions of high-income individuals; an 18% tax rebate for up to \$3000 made for low income spouse; an extension of the upper

age limit for contributions from 65 to 70; a retirement savings account and an opt-out clause for very low incomes from Superannuation Guarantee to have the 3% paid in wages. He also left the question of Choice of Fund unresolved.

The debate about the various merits of defined benefit plans and accumulation schemes had preceded the introduction of SSAU and had been part of the discussion that informed the design of SSAU. But in the early 80s at the inception of SSAU most people had little interest in superannuation, rather it was regarded as something that employers provided which involved paper work on retirement. By the mid-nineties people had come to see their superannuation entitlements as an important part of their employment package and an important part of their life planning to ensure lifelong financial well-being. As interest in superannuation grew the debate intensified and accumulation schemes increasingly became the favoured method of provision. The industry super funds were well established and clearly successful which influenced the debate, as well as the buoyant market conditions and local property boom led some to believe that they could make more of a lump sum, than they would get from a defined benefit pension.

In 1996 a debate broke out in the NTEU and one member wrote an article in the NTEU Advocate that the defined benefit plan of SSAU was unfair to members as it favoured certain groups of members. In defending the scheme Ron Champion wrote in the journal:

‘From its start in 1983 SSAU was deliberately planned to operate on the defined benefit model. Lump sum benefits are expressed as multiples of salary in the years immediately preceding retirement, resignation or death; optional retirement pensions are calculated as percentages of salary over the same years.’

The NTEU wrote to SSAU advising that a large number of members were in favour of an accumulation fund with multiple investment choices and proposed that SSAU members should have the right to accumulation fund options. They suggested that this could be brought about with ‘closer harmonisation and/or the merger of TESS and SSAU’. They also proposed a choice of investment strategies ranging from stable with modest returns to high risk with potentially substantial returns. And, for existing SSAU members an agreed calculation of retrospective benefits with provision for an individual share of any existing accumulated SSAU surplus, and the carry-over of supplementary benefits.

SSAU responded to the pressure and began to work to restructure the options they could offer members. When a discussion paper outlining the proposed choices was sent to the AVCC they responded by saying they were in favour of closing the defined benefit scheme to all new members and commencing an accumulation scheme to which all new members would belong and to which all existing members would be invited to transfer in whole or in part.

(SSAU File - Restructure)

The NTEU continued to express concerns about inequity in the defined benefit plan.

They basically argued that since contract employment was increasing on campuses they wouldn’t receive a fair go from a defined benefit scheme and it was important for them to have access to the funds that they and their employers had paid plus the investment benefits.

In a letter to SSAU the NTEU said:

‘Some critics argue that this structure belongs to another era, and needs re-examination because of increased contract employment among university staff, greater turnover and

more intermittent careers. A more specific concern has been that different salary patterns lead to systematic cross-subsidies from general staff to academic staff, or from female members to male members.'

He provides a calculation – that of the 21% of contribution, death and disablement insurance, administration and tax of 15% account for 3.5%, leaving 17.5% for investment. This means that benefit payable should be expected to be about 2.5 times employee contributions plus interest.

Another argument that was put against the defined benefit plan was that it was inequitable because those who received fast increases in their incomes had extra advantages and received larger pensions which were subsidised by other members of the scheme.

Ron argued that SSAU favoured shorter serving members by reminding the NTEU that:

'At this point there is still the 2% for 20 yrs and 1% for longer service.' And, in order to assure members that they were receiving excellent service a thorough benefit audit was undertaken to ensure that SSAU was still at the forefront of superannuation schemes.

Although the defence of the defined benefit scheme had been well mounted SSAU decided to accommodate the demand for an Accumulation Fund while maintaining the defined benefit scheme and offered an Investment Choice Plan. This was done with the development of Division C. Division A and B members were invited to move into the new Division. They had a twelve month period to make the decision but once made it was irrevocable.

In order to make sure that all members were fully aware of the new Choice available a flamboyant promotion was developed. A video was made with the high profile SBS newsreader Indira Naidu as its presenter. The promotion was inspirational. The presence of the high-profile newsreader seemed to lend substance and solidity to the information. The video was widely shown around campuses. The video showed interviews with members who had made their decision, one of each option, deciding to shift to the Division C, staying in Division A or B, or not deciding, which was to default into the current Division. As it happened one third of the membership chose to transfer, one-third chose to stay and one-third neglected to chose.

In 1999 Ron Champion announced he would retire. His announcement came when SSAU had assets of 5.5 billion dollars.

By this time 91% of all public and private employees are covered by Super

And 86% of fund members were in Accumulation Funds.

Throughout this period TESS had been operating independently. The TESS Board was effective and efficient. It met four times a year and between meetings the Executive made sure that all functions operated properly and competently. After a short time the Executive became a stable group of people. Gordon Hannah was the Chair, Iain Wallace and Jim Potter represented the employer group, the AHIEA and Ted Murphy represented the unions after some time with some change in the second union representative, but at a certain point Elana Rubin came on board.

TESS Investment

The TESS Executive took on the role of managing their investments which was a challenge for many of them who had no previous experience with investment allocation or management. Ron Champion and Delfina Grillo attended their meetings which provided them with instant access to the expertise of the Management Company and they also took advice from consultants and fund managers.

Ted Murphy who was on the TESS Executive as the union representative from the NTEU said:

‘It’s a big responsibility and it was challenging but it had to be done and it meant that I had to do a lot of reading and do a lot of work to get myself up to speed on it. But in a sense that is what you do if you end up on the investment committee of a fund.’

At first the TESS Executive were cautious but as they got more experience they also gained confidence and began to move into equities. They took a very different investment road to SSAU leaving the big infrastructure investments alone. They preferred venture capital and invested in a home scheme, with the National Mutual, which eventually became Members Equity. In June 1992 the Asset allocation that had been chosen by TESS was: 36% to Capital Guaranteed; 37% fixed interest/cash; 17% Australian Equities; 7% Property; and, 3% overseas equities.

1997/98 was a successful year with 12% interest credited to members making TESS one of the top performers amongst Australian superannuation funds which was all the sweeter as they offered the lowest industry administration charges at 55 cents per member per week.

Also in that year TESS introduced home loans for members and tax-rebatable spouse contributions. In the following year to June 1999 the fund reached the milestone one Billion dollars. In his report to members Gordon Hannah said:

‘This landmark would not have been reached for a further year, or perhaps two, if the Trustee had not delivered above average investment results.

‘The interest rates of 9.8% credited to members’ accounts for 1998/1999 clearly places TESS towards the top end of results achieved by Australian superannuation funds over that year. The surveys show that over the last 5 years TESS has achieved results ahead of 7 out of 10 comparable superannuation funds.’

Chapter 5 ***The Merger***

The two schemes worked side by side for almost a decade. In small and subtle ways they drew closer in the services they offered and the administration processes. When the legislative change offering ‘Choice of Fund’ was first muted, both TESS and SSAU were aware that this would potentially lead to rivalry for members between the two funds. In his introduction to the Annual Report of 1995, SSAU Chairman, Brian Smith raised the possibility of a merger when he said:

‘..... the Board must also explore possible advantages in a merger of SSAU and the industry scheme, TESS.’

There were a number of factors that concerned TESS. When Brian Smith took over as Chair one of his earliest observations was that the Board of the management company was more a matter of process than having any clear objectives of their own. He therefore proposed and it was soon implemented that the Boards of SSAU Pty Ltd and the SSAU Management Pty Ltd have the same personnel, while maintaining the two organisations. This would mean that decisions would be proposed, discussed and decided in full at the one Board meeting and was a much more efficient way of working. It also provided an opportunity to formally adopt the name UniSuper, that had for many years been unofficially used. (###) The management company therefore was restructured to become UniSuper Management Pty Ltd, with a new Board.

This made TESS even more nervous about their relationship with SSAU. Now the Board of their Management Company was identical to the Board of SSAU and this increased the sense within TESS that they weren't completely on a level playing field.

Jim Potter recalls:

'Things were going smoothly, but then a fly got in the ointment because the management company became owned by SSAU. So it became a subsidiary of SSAU.

SSAU was also aware of this situation, Brian Smith said: 'Not long after I arrived ... we made the two Boards identical and then we were looking at, is there a way of bringing TESS representation, understandably they felt like the poor relation.'

In May 1997 SSAU provided the TESS Board with information about their plans to restructure the Management company and TESS decided to begin discussions with the UniSuper Management over the proposed management structure and also about the government's intention to introduce Choice of Funds.

TESS believed there was now a conflict of interest and got legal opinion which confirmed that the situation wasn't in the best interests of TESS and they should consider moving. Only a couple of years before TESS had seriously considered putting its management out to tender again, now it was back on their agenda. There was, however a way to resolve this situation without separating the management of the funds and that was to merge the funds. This would not only remove any perceived or actual difficulty in the management issue, but would also remove any potential rivalry if Choice of Fund became a reality.

In all this TESS saw itself as vulnerable. It wanted to move towards a merger, but at the same time it needed to take steps to protect itself in the meantime. TESS instructed the UniSuper Management to begin to prepare papers for it to become a public offer company.

The restructure came into operation on 1 Jan 1998 from this point on all staff were be employed by UniSuper Management Pty Ltd which had an identical Board to the SSAU Trustee Board.

Report to members June 1998 Gordon Hannah:

'Whether or not choice becomes compulsory the Board will ensure that TESS continues to provide an outstanding superannuation service which, along with additional benefits, will make it the obvious choice for members.' Gordon Hannah, TESS Report and Accounts for the year ended 30 June 1998

In February TESS held a Board meeting and asked the SSAU staff members, who attended their Board meetings, to leave the room. Ron Champion Delfina Grillo and

John Mitchell left the room so the TESS Board could discuss their strategic directions. They decided to immediately request discussions with SSAU with a view to the two funds merging to propose that in the interim, they acquire half ownership of the management company. Also the Executive was authorised to investigate and report on the introduction of member Investment Choice for TESS based on three options: - the existing investment mix, a higher risk investment mix, and a capital guaranteed investment mix. (Minutes)

SSAU responded and a special joint meeting took place on 19 August 1998 attended by representatives of both funds and Ron Champion: Brian Smith, David Wood and Allen Nash from SSAU; and Gordon Hannah, Jim Potter and Ted Murphy from TESS. As a result of this meeting documents were drawn up for TESS to make an application to become a public offer company. The papers were completed by September and the TESS Board authorised for them to be lodged.

At this point the 'Mandatory Investment Choice legislation was stalled in the Senate, an election was due which made it unlikely that changes would be enacted before that. Both schemes had indicated their intention to explore joint ownership although SSAU, in response to TESS queries about the intensive marketing they were giving their Division C Accumulation Fund, proposed exploring joint marketing avenues. At this point TESS made it clear that they would only be satisfied with 50% ownership in UniSuper Management, or they would have to look elsewhere for management of their Fund.

Discussion proceeded and it increasingly became clear that a complete merger would provide an ideal solution. It made sense in many ways. Over 50,000 university staff were members of both schemes and would find it more efficient to combine their superannuation. A merger sub-committee was established and met regularly. There were, however, some areas that would need to be resolved for any merger to succeed. The first of these concerned the composition and the method of selection of a merged Board. Union representatives on the TESS Board believed that their members were best served with union representatives on the Board and were staunch in their support of having union representation on a merged Board. This was opposed equally adamantly by some members of the SSAU Board. The unions held discussion and agreed they would accept the compromise of a partly elected, partly nominated Board.

While TESS was busy deciding what Board would be acceptable to them, SSAU were busy marketing their new Division. The national campaign was in full swing. UniSuper Management Pty Ltd were fully engaged in the promotion. At the same time TESS was aware that it needed to think about marketing also in case a merger failed to materialise. The vulnerability of the TESS Board in the situation became stark when they decided they needed to prepare a model for TESS investment choice. But their Management Company was owned by their potential rival and had already developed, enacted and promoted a Choice plan for themselves. Even so, the goodwill was such that in November 1998 TESS asked Ron Champion to prepare a model for them at the same time recognising this was a conflict of interest for him.

Discussions continued and at the May 1999 TESS Board meeting a paper was tabled that SSAU had prepared titled: 'SSAU/TESS – A possible Model for a Merged Scheme'. The union representatives were particularly concerned about the model especially in relation to the structure of the Board and the method of election/nomination.

By November 1999 discussions had moved forward and a document was tabled at the TESS Board meeting that outlined the basis of the merger. The one issue that remained contingent was the issue of the composition of the Board the Union representation. This

was not contestable to the union representatives on the TESS Board, who felt they had already made a compromise. They were, however happy to proceed as long as union appointments could be made to the Board. Amendments that related to these concerns were made to the document that was tabled and authority was given to the TESS representatives on the merger working party to complete the Agreement with any necessary amendments.

The TESS Board were so committed to the merger that in his forward to the annual report to members in June 1999 Gordon Hannah wrote:

‘Members of TESS only should benefit from economy of scale, wider investment choice, improved death and disablement insurance and an extended range of retirement options.’

(Gordon Hannah, TESS Report and Accounts for the year ended 30 June 1999)

In February 2000 a merger document had been prepared that met approval from both Boards. The negotiating teams were authorised to sign a 'Heads of Agreement' document by both Boards subject to the merger being confirmed. The final agreement was for a complete merger of the two funds. Both SSAU and TESS would dissolve into a completely new fund UniSuper Ltd. The structure would stay the same as SSAU in the sense that the Universities would continue to be the shareholders, the Consultative Committee would continue to function and UniSuper Management company would continue to have the same Board as the new fund. The composition of the UniSuper Board would match the current SSAU Board except for the addition of 4 ex-TESS members. This would require some of the current SSAU Board moving aside to make it possible. The four new Board members would consist of two elected from the Consultative Committee and two nominated by unions.

While TESS was completely free to go ahead with the merger except for the formality of having the Industrial Relations Commission ratify the new arrangements for the delivery of the award super, SSAU still had to have the approval of the Consultative Committee and the AVCC. And neither of these could be taken for granted, in fact there was serious concern that either could prevent the merger going ahead. It was known that there was strong opposition on both Committees. The Consultative Committee had to give approval to change the Trust Deed and the AVCC had to approve the change to the constitution.

The Consultative Committee meeting came first. They were asked to agree to changing the Trust Deed conditional to the agreement of the Vice-Chancellors agreeing to change the constitution. This seemed to weaken the argument it would have been much stronger if the SSAU Board could have gone to the CC with AVCC approval in the bag. The main objection was the change to the composition of the Board in general, and to the election of union representatives in particular.

Brian Smith argued forcefully for the arrangements to be adopted. Ted Murphy argued strongly and said clearly, that if the formula put forward for the composition of the Board was not adopted the merger would collapse. Ted's speech was passionate and he was followed by an equally passionate speech from Peter Byers, who more or less said the same thing but from the SSAU camp. The Consultative Committee agreed to support the necessary changes to the Trust Deed.

Ted Murphy said:

‘It went down to the wire in this sense that even when the Boards agreed, the CC wanted to re-open the question of the Board composition, they argued that instead of 2 union and 2 employees from the Consultative Committee we should have 3 from Consultative Committee and 1 union.’

Next step was to get approval from the AVCC.

Brian Smith knew there were a number of Vice-Chancellors who had deep concerns about the merger. He went to the AVCC meeting to put the case for the merger with some trepidation. He was relieved soon after the beginning of the meeting when it became clear that while there was to be quite lengthy discussion about the concerns of some members of the AVCC, these members didn't intend to block the merger and voted in favour of the necessary changes to the constitution.

The target date had been the 1 July 2000, but it had to be delayed. There were a number of tiny, but time consuming details that had to be processed before the agreement could be ratified by the Industrial Relations Commission.

UniSuper Ltd. Came into being officially 1 October 2000 and the minutes of the Board on 27 November 2000 – 12.30 pm – show the following changes were made on the Board.

New Directors: A Byrne, E Murphy, E Rubin, J Rickard, J Wallace.

Retiring: C Burgess, R Champion, A Nash, A van den Bergen, K Woods.

The Chairman's Review in the TESS Report and Accounts, for the year ended 30 June 2000, said: 'This twelfth Annual Report is likely to be the last annual report from TESS. The Trustee Board has signed Heads of Agreement with UniSuper Limited to merge TESS with the Superannuation Scheme for Australian Universities (SSAU). If various conditions designed to protect members can be satisfied the merged scheme, to be called UniSuper, should take effect in the last quarter of 2000.'

(Gordon Hannah, TESS Report and Accounts for the year ended 30 June 2000)

By the time the report was ready for mail-out there was an inserted note which announced that the merger had taken effect on 1 October 2000.

The merger was a major feat for both schemes. It had been a long a difficult process.

The merger of TESS and SSAU was an enormous feat and one that a lot of organisations would not have been able to achieve. It is a tribute to all involved that the problems were overcome in the greater interest of members of both funds and UniSuper was formed.

In June 2000 TESS has a total membership of 271,466 with an average account balance of \$8,200. Reserves of TESS were distribution of reserves of TESS to members who had account balances at 30 June 2000 (44.5 million) (##was this related to merger?)

Ron Champion had resigned and his last day was the first day of the merged company UniSuper, October 1 2000.

Ron said:

‘I see two major milestones for my time there. The first is the development of an accumulation scheme and the second is the merger with TESS. It was fitting that my last day was the first day of Unisuper.’