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Emergency Services Superannuation Act 1986
PRUDENTIAL SUPERANNUATION STANDARD

Order in Council

The Governor in Council under section 6B of the **Emergency Services Superannuation Act 1986** makes the Prudential Superannuation Standard contained in the Schedule.

This Order comes into effect from the date it is published in the Government Gazette.

Dated 29 October 2014

Responsible Minister:
GORDON RICH-PHILLIPS MLC
Assistant Treasurer

YVETTE CARISBROOKE
Clerk of the Executive Council

SPECIAL

Emergency Services Superannuation Act 1986
PRUDENTIAL SUPERANNUATION STANDARD
SCHEDULE TO THE ORDER IN COUNCIL

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Foreword

The Emergency Services Superannuation Board (ESSB) is responsible for the administration of Victoria's public sector superannuation schemes.

With accrued liabilities of \$33.3 billion, net assets of \$21.9 billion and unfunded liabilities of \$11.4 billion (30 June 2014), Victoria's public sector superannuation schemes are very significant in terms of the retirement benefits they provide to members and the defined benefit liabilities that are underwritten by Victorian taxpayers.

Prudential supervision provides assurance that assets are available to fund liabilities as they fall due, financial risks to the schemes are comprehensively managed and the costs of the schemes are restrained.

Victoria's public sector superannuation schemes are exempt from the Australian Prudential Regulation Authority's (APRA) prudential supervision. In the absence of APRA supervision, the Prudential Superannuation Standard is an important part of the Victorian Government's prudential framework for the ESSB.

The Prudential Superannuation Standard enhances ESSB's prudential framework. It integrates with and builds on existing Victorian Government policies to provide assurance that Victoria's public sector superannuation schemes continue to operate efficiently and prudently.

1. INTRODUCTION

1.1 Victorian prudential supervision framework

The Department of Treasury and Finance (DTF) acts as the prudential supervisor in respect of the Victorian Government's public financial corporations, including the ESSB.

The Victorian Government has established a framework of legislation, policy and guidelines to prudentially supervise public financial corporations to ensure these agencies:

- implement and maintain appropriate financial management practices;
- achieve a consistent standard of accountability and financial reporting;
- implement appropriate risk management practices; and
- maintain appropriate governance frameworks.

The Prudential Superannuation Standard is structured to complement existing requirements applying to the ESSB, which together form a prudential framework.

In addition to the Prudential Superannuation Standard, the key components of the Victorian prudential framework, as they relate to the ESSB, include:

- **Financial Management Act 1994**
- **Borrowing and Investment Powers Act 1987**
- **Audit Act 1994**
- **Emergency Services Superannuation Act 1986**
- **State Superannuation Act 1988**
- **Parliamentary Salaries and Superannuation Act 1968**
- **Transport Superannuation Act 1988**
- **State Employees Retirement Benefits Act 1988**
- Standing Directions of the Minister for Finance

Guidelines and good practice guides have been developed by the Victorian Government and form part of the prudential framework for Departments and Agencies (including the ESSB). These include:

- Prudential Standard – VFMC and the Centralised Investment Model
- Victorian Government Risk Management Framework
- Victorian Government procurement policies
- Director Appointment Guidelines
- State Services Authority Good Practice Guide on Governance for Victorian Public Sector Entities

1.2 Heads of Government Agreement

A Heads of Government Agreement (HOGA) between the Commonwealth Government and Victorian Government exists in relation to Victoria's public sector superannuation schemes.

In recognition of the circumstances surrounding public sector superannuation schemes, the HOGA exempts Victoria's schemes from complying with certain Commonwealth superannuation requirements, including an exemption from prudential supervision by the Australian Prudential Regulation Authority (APRA).

Under the HOGA, provided that Victoria's public sector superannuation schemes meet specified Commonwealth Government retirement income principles they are treated as complying funds for superannuation guarantee and taxation purposes.

DTF is responsible for ensuring that Victoria's public sector superannuation schemes operate in accordance with the requirements of the HOGA. The ESSB is required to provide a statement of compliance with HOGA in its annual report.

1.3 Guidance

The Prudential Superannuation Standard includes guidance to the ESSB on the following prudential objectives:

- Breach Reporting (Attachment A);
- Risk Management (Attachment B);
- Fitness and propriety of Members of the Board and key office holders (Attachment C);
and
- Corporate planning and performance reporting requirements (Attachment D).

In addition, the ESSB is required to provide DTF with an annual attestation of compliance with the Prudential Superannuation Standard (Attachment E).

2. COVERAGE AND APPLICATION

The Prudential Superannuation Standard applies to the ESSB pursuant to Section 6B of the **Emergency Services Superannuation Act 1986**.

This version of the Prudential Superannuation Standard replaces the previous version issued in November 2009. It has been updated to reflect changes in the Superannuation Prudential Standards issued by APRA since that time.

All references in the Prudential Superannuation Standard to APRA Superannuation Prudential Standards relate to the versions of the APRA Superannuation Prudential Standards issued immediately before publication of this version of the Prudential Superannuation Standard.

In meeting the requirements of any APRA Superannuation Prudential Standard referred to herein, DTF is taken to fulfil the role of APRA.

Where there is conflict or uncertainty between an APRA Superannuation Prudential Standard and Victorian legislation or policy, Victorian legislation or policy will prevail. Where there is a conflict between Victorian legislation and the Prudential Superannuation Standard, Victorian legislation will prevail.

If any legal conflict or uncertainty exists in relation to complying with the Prudential Superannuation Standard, the ESSB is advised to seek clarification from DTF.

3. ACCOUNTABILITY

3.1 Attestation of Compliance

The President and Chief Executive Officer of the ESSB are required to provide an annual attestation to DTF that its public sector superannuation schemes have appropriate governance, risk management and prudential management arrangements in place consistent with the Prudential Superannuation Standard.

3.2 Roles and Responsibilities – General

Board

The Board is accountable for ensuring the appropriate application of the Prudential Superannuation Standard. In this respect, Members of the Board are required to take reasonable steps to satisfy themselves that the Prudential Superannuation Standard has been properly implemented and complied with.

Being ultimately accountable for the application of the Prudential Superannuation Standard, the Board is required to:

- ensure the establishment of appropriate policies and procedures to give effect to the Prudential Superannuation Standard;
- assign management responsibilities for implementation of the Prudential Superannuation Standard; and
- oversee ongoing compliance with the Prudential Superannuation Standard and any policies and procedures created for the purpose of compliance with it.

Chief Executive Officer

The Chief Executive Officer (CEO) is responsible for implementing the Prudential Superannuation Standard, other applicable Victorian Government policies and the ESSB's internal policies. In doing so, the CEO should ensure that the approach is consistent with the Board's expectations and where appropriate, seek Board approval of policies and procedures.

Department of Treasury and Finance

In its primary role of managing the Victorian Government's finances, DTF is concerned that Victoria's public sector superannuation schemes are managed prudently and do not adversely impact the State's finances.

DTF will liaise with the ESSB to assist with the effective and consistent implementation of the Prudential Superannuation Standard. DTF's liaison role in no way diminishes or reduces the primary responsibility of the ESSB to ensure effective implementation of, and ongoing compliance with, the Prudential Superannuation Standard.

On behalf of the Minister, DTF is responsible for the development and maintenance of the Prudential Superannuation Standard but is not expecting to undertake intrusive supervision. DTF is granted, under the Prudential Superannuation Standard, the power and authority to undertake or require such further investigations and enquiries as it considers appropriate.

If requested, the ESSB is required to provide DTF with a copy of any of its policies or other documents referred to in the Prudential Superannuation Standard or otherwise relevant to Victoria's public sector superannuation schemes. Any such request will be made by DTF in writing and the reports are to be provided by the ESSB to DTF within 14 days (or such longer period as may be agreed).

The Victorian Auditor General's Office

The external audit of the ESSB by the Victorian Auditor General's Office (VAGO) under the **Audit Act 1994** is an important element of the prudential supervision framework. VAGO's role is limited to that specified under the **Audit Act 1994** and it is not required to supervise compliance with the Prudential Superannuation Standard.

3.3 Roles and Responsibilities – Investments

In relation to the assets of the Accumulation Plan (under Part 3A of the **Emergency Services Superannuation Act 1986**), the Board is responsible for all aspects of strategy and management. The ESSB determines the investment objectives and strategy for the Accumulation Plan and the implementation of these is undertaken internally by the Board's investment team. The ESSB determines the investment objectives for the defined benefit schemes. VFMC is appointed fund manager for the defined benefit schemes and is responsible for determining and implementing the investment strategy for the defined benefit schemes. The requirements in this respect are set out in section 4.9 below.

The remainder of this section relates to the roles and responsibilities of the stakeholders in respect of the assets of defined benefit schemes only.

Board

The Board is responsible for setting investment objectives, monitoring VFMC's investment outcomes against those objectives and raising any performance issues with VFMC. If the Board has material reservations in this respect which it is unable to resolve with VFMC, it should raise these with DTF.

Victorian Funds Management Corporation

VFMC is responsible for setting and implementing the investment strategies to achieve the objectives of the defined benefit schemes set by the Board. Therefore, responsibility for the actual outcomes of the investment of defined benefit assets rests with VFMC, not with the ESSB.

Department of Treasury and Finance

DTF is responsible for the prudential supervision of VFMC and performance monitoring at the whole-of-State level.

For further details of each party's role and responsibilities under the Centralised Investment Model, please refer to the *Prudential Standard: VFMC and the Centralised Investment Model* and Part 4.9 of the Prudential Superannuation Standard.

4. PRUDENTIAL SUPERANNUATION MANAGEMENT

The ESSB shall develop and implement policies in accordance with the Prudential Superannuation Standard, dealing with:

- governance;
- corporate planning and performance reporting;
- reserving;
- actuarial review;
- breach reporting;
- risk management;
- business continuity management;
- outsourcing;
- investment governance;
- insurance;
- fit and proper requirements;
- the HOGA;
- MySuper products; and
- financial advice.

The ESSB shall review the above policies that support these prudential objectives at least once every five years. These policies should complement existing Victorian whole of government policies (as outlined in section 1.1), which together form the prudential framework. Policies that support the Prudential Superannuation Standard should be submitted to DTF for noting on implementation and when materially changed.

4.1 Governance

The Board is ultimately responsible for the sound and prudent operation of the Emergency Services Superannuation Scheme. Where the Board delegates authority to management, this must be clearly specified in an instrument of delegation. The instrument of delegation must specify the office to which the authority has been delegated and if there are any limitations imposed on the delegation. The Board must also have processes in place to monitor the delegated authority and the Board retains ultimate responsibility for the delegated authority.

To support a culture of good governance within the ESSB, the Board is required to meet the following objectives.

- Maintain formal charters that specify the roles and responsibilities of the Board.
- Assess the ESSB's performance relative to its objectives at least annually.
- Develop and maintain a documented remuneration policy that complies with Victorian Government policy. If the remuneration policy contains performance based components they must be designed to encourage behaviour that:
 - protects the interests, and meets the reasonable expectations, of beneficiaries;
 - supports the long term financial viability of the ESSB; and
 - is aligned with the ESSB's risk management framework.
- Establish a Board remuneration committee (or similar) that operates in accordance with the requirements of APRA Superannuation Prudential Standard 510 (to the extent that this does not conflict with Victorian Government policy).
- Establish a Board audit committee (or similar) that operates in accordance with the requirements of APRA's Superannuation Prudential Standard 510.
- Have an independent and appropriately resourced internal audit function.
- Ensure that the ESSB's internal policy and contractual arrangements do not restrict or discourage employers, contractors, auditors or other parties from communicating with the Board and/or DTF.

4.2 Corporate Planning and Performance Reporting

Corporate planning and plan implementation is a key element of the ESSB's governance framework. The ESSB is responsible for the development and implementation of its own strategies as they relate to the public sector superannuation schemes that it manages.

In this respect, the ESSB is required to:

- develop and implement a corporate plan in accordance with this Prudential Superannuation Standard;
- review its corporate plan at least once every three years; and
- develop and implement annual business plans (including financial targets) for the implementation of the corporate plan.

The corporate plan and annual business plans must contain the elements outlined in Attachment D.

The ESSB shall provide a copy of its corporate plan, annual business plans and budgets to DTF on an annual basis once they have been approved.

Within three months of the end of each financial year, the ESSB shall provide a report to DTF setting out the performance of the ESSB against the objectives set out in the corporate plan and business plans.

The ESSB is required to submit a quarterly report to DTF in accordance with the requirements specified in Attachment D.

4.3 Reserving

The ESSB must maintain an Operational Risk Financial Requirement (ORFR) Policy in accordance with the requirements of APRA's Superannuation Prudential Standard 114. The objective of this requirement is to ensure the ESSB maintains adequate financial resources to address any losses arising from operational risks.

A copy of the ORFR policy, as described in APRA's Superannuation Prudential Standard 114, along with a reconciliation of all movements in the operating reserve during the most recent financial year, must be provided to DTF as part of the annual reporting process.

In particular, the ORFR policy should separately and explicitly identify the reserving processes for the defined benefit schemes and accumulation schemes to ensure that the establishment, use and replenishment of these reserves does not create cross-subsidies.

4.4 Actuarial review

The appropriate use of actuarial skills is an important element in the sound management of a superannuation scheme. This section is intended to be read in conjunction with, and complement, any legislative requirements regarding the engagement and use of actuaries. The ESSB is expected to conduct its affairs in a manner that reflects these principles and its particular needs and circumstances at the time.

A copy of all of the actuarial reports completed under the Prudential Superannuation Standard must be provided to DTF upon request. Any such request will be made by DTF in writing and the reports are to be provided by the ESSB to DTF within 14 days (or such longer period as may be agreed).

Appointment of actuaries

The ESSB must appoint an external qualified actuarial service provider to undertake a valuation of its superannuation liabilities (and other work as considered appropriate and consistent with the Prudential Superannuation Standard). The actuary must be a member of the Institute of Actuaries of Australia and comply with its Code of Conduct and professional standards.

The actuarial service provider must:

- be an individual, partnership or company with proven qualifications, capacity and capability to undertake the scope of work;

- nominate a designated principal with sufficient experience and reputation to deliver credible advice and who meets ‘fit and proper’ and independence tests; and
- be appointed from time to time in accordance with the Victorian Government’s procurement policies and any relevant legislative requirements.

Liability valuation

In addition to formal actuarial reviews that may be required under legislation, an annual valuation must be obtained by the ESSB to coincide with the preparation of the ESSB’s annual report. The ESSB should also consider the need for actuarial valuations to coincide with the assessment of significant proposals or legislative amendments.

These are minimum requirements. The ESSB is not restricted from employing actuaries in-house, undertaking other work in-house or completing valuations more frequently than the minimum specified. The ESSB may engage more than one external actuary for different tasks provided that the purpose of doing so is not to produce a particular result and no gaps in the coverage of the ESSB’s superannuation liabilities arise.

The relevant actuary should be independent of the ESSB and Victorian Government, applying normal professional standards of independence. The actuary need not be independent of other contractors or service providers to the ESSB such as internal audit providers.

Setting contribution rates and other actuarial roles

In addition to liability valuation there are important actuarial roles in setting contribution rates, costing proposed changes to schemes and assessing the projected financial position of the schemes.

The principle of the Prudential Superannuation Standard is that the ESSB should obtain and consider actuarial advice when relevant, and in accordance with the relevant governing legislation.

4.5 Breach Reporting

If the ESSB becomes aware that there has been a breach (or a breach is likely) of Victorian Government legislation or policy, and/or the Prudential Superannuation Standard and that breach is ‘significant’, the ESSB must provide DTF with a written report regarding the breach within 10 business days after the ESSB becomes aware that a breach has occurred (or is likely to occur).

If a breach has the potential to impact on the reputation of the Minister or the Victorian Government, the breach must be notified to DTF as soon as the ESSB becomes aware that a breach has occurred (or is likely to occur).

Refer to Attachment A for guidance on applying the significance test and the form of the breach notification.

4.6 Risk Management

The Victorian Government Risk Management Framework provides for a minimum risk management standard across public sector entities. Guidance in relation to the application of the Victorian Government Risk Management Framework for the ESSB is set out in Attachment B.

The Prudential Superannuation Standard sets out additional requirements of the ESSB in relation to risk management, as follows.

- The ESSB must provide a copy of its risk management policy to DTF.
- The ESSB must notify DTF when any of the following events occur:
 - a material change to the risk management policy (including any new material risk and/or any material risk which has been re-rated with a higher risk rating);
 - a material risk event (i.e. one of the identified risks actually eventuates); and
 - a significant breach of risk management policy.

- If a material risk event occurs, the event must be notified to DTF as soon as the ESSB becomes aware of it.
- If there is a material change to risk management policy, the ESSB must notify DTF within 10 business days of the ESSB making the change.
- If there is a significant breach of the risk management policy, the ESSB must notify DTF within 10 business days of the ESSB becoming aware of the breach.
- The ESSB must ensure that an approved auditor is appointed annually to provide the ESSB with a report, which includes a statement by the auditor as to whether, in the opinion of the auditor, the ESSB:
 - has complied with the risk management policy that applied during that year in relation to risks arising from any activities, and proposed activities, of the ESSB; and
 - has adequate systems to ensure future compliance with its risk management policy in relation to future risks arising from any proposed future activities.

4.7 Business Continuity Management

Business continuity management aims to ensure that critical business activities can be maintained or recovered in a timely manner following a disruption. This is important to ensure that the consequences of any disruption, particularly of a financial, legal and reputational nature, are minimised.

In addition to the risk management requirements specified herein, the ESSB must comply with APRA's Superannuation Prudential Standard 232. Please note that the notification requirements under this section take precedence over those specified in relation to risk management more generally. That is, DTF must be notified within 24 hours of a major disruption that has the potential to materially impact beneficiaries, the ESSB's financial position or other stakeholders.

4.8 Outsourcing

All outsourcing arrangements involving material business activities must be subject to appropriate due diligence, approval and ongoing monitoring. In addition to complying with Victorian Government's procurement policies, the ESSB must comply with APRA's Superannuation Prudential Standard 231.

The only variation to the requirements specified in APRA's Superannuation Prudential Standard 231, as it applies to the ESSB, is that the ESSB is not required to notify DTF of outsourcing agreements:

- with investment managers of Accumulation Plan assets that are approved in accordance with Board's Investment Governance Framework; and
- that are in relation to the management of Accumulation Plan assets (such as custody and asset advisory services).

4.9 Investment governance

Under the CIM, defined benefit superannuation assets are required to be invested with VFMC and the roles and responsibilities of all parties are specified in the *Prudential Standard: VFMC and the Centralised Investment Model*. The remainder of this section only applies to investments of the Accumulation Plan (i.e. all assets not invested with VFMC under the CIM).

The ESSB is responsible for all aspects of the strategy and management of the Accumulation Plan. In this respect, the ESSB must comply with the requirements of APRA's Superannuation Prudential Standard 530. This section continues to apply even if VFMC is appointed to invest such assets.

4.10 Insurance

The ESSB is ultimately responsible for ensuring that members' benefit entitlements are paid as they fall due. Appropriate insurance arrangements must be in place to manage any insurance offering to members of the Accumulation Plan. The ESSB must develop and implement an insurance management framework in accordance with APRA's Superannuation Prudential Standard 250.

The self-insurance of defined benefits is permitted provided such arrangements are in members' best interests. All insured benefits provided to the Accumulation Plan must be made available to members via a contract of insurance (policy) with an 'insurer'. Where an insurer is defined as follows:

- A life company registered or taken to be registered, under section 21 of the **Life Insurance Act 1995** (Cth); or
- A general insurance company or Lloyd's underwriter authorised, or taken to be authorised, under the **Insurance Act 1973** (Cth).

4.11 Fit and Proper Requirements

The appointment and removal of Members of the Board is prescribed by legislation. The Minister appoints six members of the Board and the other six are elected by scheme members. The CEO is appointed by the Board, with the approval of the Minister.

The fitness and propriety of Members of the Board and key office holders to manage Victoria's public sector superannuation schemes is of critical importance. This fit and proper standard is designed to ensure that Victoria's public sector superannuation schemes are managed and overseen competently, by honest and trustworthy individuals.

The ESSB shall develop processes by which to assess and monitor the fitness and competency of Members of the Board and key office holders to ensure they have (both collectively and individually) the range of skills and experience needed for the effective and prudent operation of the ESSB.

The policies developed by the ESSB should not unduly limit the pool from which the Minister, and scheme members, can appoint and elect Members of the Board.

Key office holders of the ESSB include the CEO and executive-level managers who are central to the ongoing management of the ESSB.

The fit and proper framework and mechanisms should include the following elements.

- Clearly defined and documented competencies for the Board collectively and each Member of the Board and key office holders individually, including minimum requirements for education, technical and practical qualifications.
- An ongoing training and development program to ensure that all Members of the Board and key office holders develop and maintain an appropriate level of knowledge to meet the competencies relevant to the position held.
- An annual declaration process to confirm that Members of the Board and key office holders are not 'disqualified persons' and that they continue to meet this fitness and propriety standard.
- Regular assessment of the collective competencies the Board.

The ESSB must report to DTF any inadequacies identified in the collective competencies of the Members of the Board which cannot be managed through additional or ongoing training.

There should be regular internal review of the fit and proper framework and processes. Additional guidance in relation to the fit and proper standard is set out in Attachment C.

4.12 Heads of Government Agreement

Under the HOGA, the Victorian Government has agreed to ensure that its exempt public sector superannuation schemes will conform with the principles of the Commonwealth Government's retirement incomes policy to the best of its endeavours. The Victorian Government requires the ESSB to abide by the HOGA. The ESSB should include a statement of this commitment in each annual report of the ESSB.

4.13 MySuper products

Commonwealth legislation requires that members who do not actively choose their superannuation fund should have their superannuation in a 'MySuper' product. The Commonwealth imposes specific rules on funds offering a MySuper product.

Exempt Public Sector Superannuation Schemes are not required to offer a MySuper Product. The requirements for MySuper products are contained in the **Superannuation Industry (Supervision) Act 1993** (Cth) and associated regulations (SIS); and the **Corporations Act 2001** (Cth) and associated regulations. Public sector superannuation agencies are exempt from SIS and the relevant parts of the Corporations Act.

The Heads of Government Agreement between the Commonwealth Government and Victorian Government provides that Victoria's public sector superannuation schemes may offer a MySuper Product. The Agreement provides that Exempt Public Sector Schemes wishing to offer a MySuper product must comply with the principles of the MySuper requirements. They are not required to be authorised by APRA.

The principles of a MySuper product include, but are not limited to:

- a single, diversified investment strategy;
- limits on both the types and levels of fees charged;
- compulsory life and total and permanent disability insurance provided on an opt-out basis;
- additional data reporting to APRA;
- additional trustee duties; and
- additional disclosure requirements, including a 'product dashboard'.

If the ESSB wishes to offer a MySuper product they must comply with the requirements outlined above. ESSSuper may seek a written exemption from DTF from any part of the MySuper requirements. Any exemption should be obtained before the ESSB offers or varies a MySuper product.

If the ESSB intends to offer a MySuper product it must comply with APRA's Superannuation Prudential Standard 410.

4.14 Financial advice

The provision of financial product advice to members and beneficiaries is closely linked to the operation and management of a superannuation scheme. Superannuation schemes can hold significant assets on behalf of members and beneficiaries. Therefore, it is important that where financial product advice is provided, that the advice is provided by someone who is appropriately qualified.

The **Corporations Act 2001** (Cth) requires people who carry on a business of providing financial services to hold an Australian Financial Services Licence (AFSL). While the ESSB is covered by an exemption and is not required to hold an AFSL to deal in a financial product or provide general or personal financial product advice, the ESSB must not provide personal financial product advice to members or beneficiaries of Victoria's public sector superannuation schemes.

If the ESSB wishes to offer personal financial product advice to members or beneficiaries of its schemes, it must engage an external AFSL holder to provide that advice on its behalf. Any appointment of an external AFSL holder must be in accordance with the outsourcing requirements specified in this Prudential Superannuation Standard.

Attachment A. Guidance on Breach Reporting**Significance Test**

‘Significant’ has several meanings, but the most appropriate to use is ‘fairly large’. Under this meaning the matter needs to pass some threshold of amount or quantity, something in excess of a triviality or technicality. This test is designed to bring issues of concern to the attention of DTF which it would then assess and act upon as it saw fit. Throughout this Attachment, references to a breach should be taken to also include reference to a likely breach.

A breach is (or will be) significant having regard to any one or more the following factors:

- the number or frequency of similar previous breaches;
- the impact the breach has or will have on the ESSB’s ability to fulfil its obligations in relation to a superannuation scheme;
- the extent to which the breach indicates that the ESSB’s arrangements to ensure compliance with relevant law or the Prudential Superannuation Standard might be inadequate;
- the actual or potential financial loss to beneficiaries of the superannuation scheme associated with the breach; and/or
- any other relevant factors including the impact the breach may have on the reputation of the Minister or the Victorian Government.

Each reported breach needs to be assessed against each of the five factors to determine whether the matter is significant for reporting to DTF. While it may be possible that one of the five factors may, in itself, be significant it is more likely that a combination of the factors, in aggregate, renders the breach significant.

Form of breach notification

Any notification of a significant breach under the Prudential Superannuation Standard should include:

- name of the scheme to which the breach relates;
- the legislation, policy, guideline or standard which has been breached;
- description of the breach;
- how the breach was identified;
- date the breach occurred (or the expected risk period for likely breaches);
- date the ESSB became aware of the breach;
- number of members affected;
- estimate of the financial value of the breach; and
- rectification action proposed or undertaken.

The breach notification must be signed by the CEO or his/her delegate. The breach notification may be delivered and signed electronically.

Attachment B. Guidance on Risk Management

Managing risk is an important component of public sector governance. The Victorian Government Risk Management Framework provides a base level risk management framework across the Victorian public sector.

The ESSB must develop, implement and maintain a sound and prudent risk management framework that comprises the ESSB's policies and procedures, risk management processes, internal controls and independent review process.

The risk management framework must reflect the nature, scale and complexity of the ESSB and the operations of the superannuation schemes for which it is responsible. As part of the risk management framework, the ESSB should develop a risk management policy (which may comprise one or more documents) that details:

- the ESSB's risk management culture and approach to ensuring a strong risk management culture is adopted throughout its operations;
- the segregation of duties and clearly defined roles and responsibilities for risk management;
- the process for identification and assessment of all material risks that could adversely affect the agencies current and future operations, including but not limited to the following risks:
 - governance (including strategic risks);
 - technology (including privacy risks);
 - outsourcing;
 - resourcing;
 - investment;
 - operational;
 - business continuity management;
 - reputation; and
 - management of stakeholders (including members, beneficiaries, sponsoring organisations/bodies and their representatives);
- the process for reviewing and updating the policy and risks (including identification of new risks) and the events which would trigger a review or update;
- the process for regular internal risk reporting to the Board and Board committees (as appropriate);
- the provision of relevant documents and information to DTF as required under the Prudential Superannuation Standard;
- the process for identifying and reporting when material risk events occur; and
- the process for identifying and reporting significant compliance failures in relation to the risk management policy.

The risk management policy must be:

- reviewed at least annually and whenever there is a material change to the risk profile of the ESSB or the superannuation schemes that it manages; and
- audited by an approved auditor annually and the auditor must attest that the framework adopted by the agency to identify, assess, control, report and review the risks of the ESSB and the superannuation schemes that it manages has been implemented and is operating effectively.

Attachment C. Guidance on Fit and Proper Policy

General

Members of the Board of a public entity are ‘public officials’ under the **Public Administration Act 2004** and are bound by the public sector values of the Act (s7). These values should be taken into account when the ESSB develops its policies and procedures regarding the conduct of the ESSB and the Members of the Board. The public sector values are:

- responsiveness;
- integrity;
- impartiality;
- accountability;
- respect;
- leadership; and
- human rights.

The agency must possess relevant attributes that enable it to properly discharge the duties and responsibilities of the agency in a prudent manner.

In terms of ‘propriety’, each Member of the Board and key office holder must meet the standard individually. It is generally accepted that a disqualified person should not act as a member of the Board. Grounds for disqualification include conviction for a dishonesty offence, insolvency or the making of a civil penalty order against the person.

In terms of ‘fitness’, the Board and key office holders may meet the standard on a collective basis.

Policies and procedures

The ESSB should have documented processes to assess whether relevant persons are fit and proper to act in their position in relation to the superannuation schemes it manages. The policy and procedures do not need to be documented separately, but can form part of other governance related policies. The policies and procedures should contain the following.

- A description of the Victorian Government and the ESSB’s requirements in relation to fitness and propriety (including minimum technical, educational or other qualifications). The requirements should take into account the operational structure of the ESSB, its size, asset level and the complexity of the superannuation schemes that it manages.
- An assessment process to determine whether an individual is appropriate to act as a Member of the Board or key office holder and whether the ESSB as a whole meets the standard.
- A description of the induction and training programs.
- Procedures for identifying, declaring and dealing with conflicts of interest.
- A process for regularly checking that Members of the Board and key office holders are not disqualified persons (including annual declarations to this effect).
- A process for dealing with persons who are not fit and proper, including a process for removal in circumstances where it is necessary to do so.
- A process for regular review of the policies and procedures.

The ESSB is not required to be an expert in all matters related to the operation of the superannuation schemes that it manages. The ESSB can outsource certain activities under appropriate arrangements (e.g. investment management, custodian services and actuarial services). Notwithstanding, the Board retains responsibility for all decisions that it makes. Therefore, in circumstances where the Board receives advice from a third party, it must be sufficiently skilled to understand the advice received.

The ESSB’s risk management framework should reflect the key risks as they relate to the fitness and propriety of Members of the Board and key office holders.

Attachment D. Guidance on Corporate Planning and Performance Reporting

Corporate planning documents form an agreement between the ESSB and the Victorian Government and outline the ESSB's strategic direction and performance targets over the corporate planning period.

The ESSB is required to submit the following corporate planning documents to DTF on an annual basis:

- statement of corporate intent;
- corporate plan; and
- business plan.

These documents can be presented separately or as one integrated corporate planning document. The statement of corporate intent is a public document (often disclosed in the annual report) while the corporate plan and business plan are provided to DTF on a commercial-in-confidence basis.

Statement of Corporate Intent

The statement of corporate intent should provide a high level overview of the ESSB and include an outline of the EESB's:

- vision and mission statements;
- objectives;
- core business;
- strategic direction; and
- KPIs.

Corporate Plan

The corporate plan is a comprehensive, rolling three-year (minimum) performance plan and should include the elements listed in the table below.

Section	Detail
Operating environment	<ul style="list-style-type: none"> ● external factors impacting on performance (e.g. regulatory constraints, competitive environment, economic and market conditions, opportunities and threats, Community Service Obligations); ● internal factors impacting on performance (e.g. competitive strengths and weaknesses, organisational structure, asset condition); ● key drivers of performance (e.g. determinants of demand, key input costs, asset utilisation); and ● identification of internal and external risks (e.g. business risks, exposure to interest rate and currency movements, technological change, environmental impacts).
Key strategies	<ul style="list-style-type: none"> ● risk and asset management strategies; ● strategies to minimise operating costs and achieve operating efficiencies; and ● other strategies (e.g. pricing, marketing and customer service).
Capital expenditure	<ul style="list-style-type: none"> ● outline of the capital expenditure program, including: <ul style="list-style-type: none"> – a breakdown of payments for each year of the planning period (as found in the Cash Flow Statement); and – financing requirements.

Section	Detail
	<ul style="list-style-type: none"> ● for each capital expenditure proposal with a Total Estimated Investment (TEI) above \$10 million: <ul style="list-style-type: none"> – the proposal's TEI; – aggregate capital expenditure in prior years; – projected capital expenditure in the first year of the planning period; – forecast capital expenditure for each year of the planning period; and – financing requirements.
Financial information	<ul style="list-style-type: none"> ● financial statements in nominal dollars; and ● sensitivity analysis including high and low scenarios for key variables.
KPIs	<ul style="list-style-type: none"> ● financial and non-financial targets; and ● clear linkages between KPIs and key strategies.
Planning assumptions	<p>Which may include assumptions relating to:</p> <ul style="list-style-type: none"> ● pricing; ● interest rates; ● labour and other input costs; ● economic outlook; ● product demand; and ● supply forecasts. <p>NB. DTF economic forecast data is outlined in Budget Paper No. 2 and in the Budget Update and the ESSB is encouraged to use this data to assist in the corporate planning process.</p>

Business Plan

The business plan is a detailed action plan for the first financial year of the corporate plan. The business plan must include:

- the actions and strategies to achieve the ESSB's objectives; and
- quarterly phasings (for the quarter and year-to-date) for the financial statements and KPIs.

Quarterly reporting

Quarterly reports provide a summary of performance against targets established in the corporate planning documents.

Quarterly performance reports

Each quarter, the ESSB must provide a report to DTF containing the following information.

- Financial statements in nominal dollars for the quarter and year-to-date (actual against plan). The level of detail provided in the financial statements should be comparable with that provided in the agreed corporate planning documents.
- KPI results for the quarter and year-to-date (actual against plan).
- Brief exceptions based commentary on the ESSB's performance for the quarter and year-to-date. Commentary should be provided for all material variations (+/-15 per cent or more) from plan for each line item in the financial statements and any material variations for KPIs. The commentary provided should reflect the underlying factor(s) driving the variance and corrective actions being implemented to address underperformance or non-achievement of financial targets and KPIs.

- Capital expenditure program update.
 - Any expected material changes to full-year financial results.
- Quarterly performance reports and annual reports must be endorsed by the Board.

Key dates

Requirement	Due date
Quarter 1 Report submitted	Last business day in November
Quarter 2 Report submitted	Last business day in February
Quarter 3 Report submitted	Last business day in May
Quarter 4 Report submitted (Note: does not need to be audited)	Last business day in August

Attachment E. Form of ESSB Attestation

This attestation of compliance with the Prudential Superannuation Standard should be completed as part of the annual reporting cycle and submitted to DTF. It is to be completed by the President and CEO on behalf of the ESSB.

**Attestation by the Emergency Services Superannuation Board
to the Prudential Superannuation Standard**

The Emergency Services Superannuation Board (ESSB) certify that for the year ended 30 June [year], with the exception of the matters stated in Schedule 1, the ESSB has established and maintained appropriate prudential policies and procedures consistent with the Victorian Government's Prudential Superannuation Standard and that it has complied with its policies and procedures and the Prudential Superannuation Standard. The ESSB verifies this assurance and that compliance with the Prudential Superannuation Standard has been subject to critical review within the last twelve (12) months.

Schedule 1

[indicate nil where there are no matters to be reported]

Signed for and on behalf of the ESSB

President of the Board

Chief Executive Officer

Date:

Date:

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