

# **Finance Committee Charter**

*(a committee of the Australian Retirement Trust Board)*

# Purpose

This charter outlines the scope of the Finance Committee. The Committee has been established by the ART Board to provide assistance in discharging the Board's corporate governance and oversight responsibilities in relation to such matters as: financial and capital management, oversight of ART's investment in QInsure Limited, actuarial matters associated with defined benefit plans, successor fund transfer matters, as well as brand / sponsorship activities. In doing so, it is the responsibility of the Committee to maintain free and open communication between the Committee, advisers (including actuaries), and Management. The Australian Retirement Trust Board & Committee Procedures document supplements this Charter and covers administrative matters associated with convening and running a Committee meeting.

## Committee's Responsibilities

### Policies and Management

**The Committee will approve:**

- Sponsorship Policy.

**The Committee will recommend to the ART Board:**

- Adequacy of Reserves;
- ART Budget;
- Financial Delegations Policy;
- General Reserve Policy;
- Insurance Reserve Policy;
- Operational Risk Financial Requirement Reserve Policy;
- Self-Insurance Policy; and
- Significant Expenditure Policy.

If a policy is not listed above (either by omission or because it is new since the Charter was approved), the Committee will initially make a recommendation on it to the Board, and may at that time, seek delegation to approve subsequent iterations.

### Financial Management

**The Committee is responsible for:**

- a. Providing advice / guidance to Management regarding the ART Board's strategic financial objectives, especially regarding the level of reserves and profits;
- b. Reviewing ART's annual operating budget (revenue and expenditure) and considering the appropriateness of the associated fee(s) charged to members;
- c. Regularly reviewing ART's financial performance with respect to the operating budget, in particular any difference between actual versus projection and Management's subsequent actions;
- d. Monitoring ART's investments in subsidiary entities with particular consideration of capital requirements to ensure prudent fiscal management; and
- e. Monitoring ART's Reserve balances and projected future balances including consideration of the proposed use of Reserve monies, illiquid assets and the Reserving policy / strategy.

### QInsure

**The Committee is responsible for:**

- a. Overseeing QInsure Limited on behalf of ART from a capital provider's perspective;
- b. Monitoring and reviewing the QInsure strategic mandate and associated reporting;

- c. Reviewing reporting from Management about the ongoing relationship with the insurer, the level of adherence or otherwise with contractual obligations and any issues that might materially affect the Fund's ability to make insured benefits available to beneficiaries;
- d. Reviewing reports on the operations of the insurer to ensure consistency with the Fund's insurance objectives and strategy;
- e. Monitoring the Fund's investment in QInsure which may include considering the assumptions which formulate QInsure's premium pricing or reserving given the potential impact of these assumptions on the company's capital position; and
- f. Establishing, monitoring the effectiveness of, and enhancing as required, the communication protocols (if any), between the Committee and the QInsure Board.

## Oversight of Actuarial Related Matters for Defined Benefit Plans

### **The Committee is responsible for:**

- a. Reviewing, and recommending to the Board, changes to the Defined Benefit Policy;
- b. Monitoring the self-insurance reserve(s) that are in place for the Defined Benefit legacy business;
- c. Providing oversight of actuarial related matters for defined benefit plans including:
  - Review and recommend to the Board the appointment (and re-appointment) of the Fund actuary and the Government Division actuary;
  - Approve the appointment (and re-appointment) of each corporate plan actuary;
  - Review and recommend to the Board the actuarial investigation reports and any interim actuarial investigation reports of the Government Division;
  - Approve the actuarial investigation reports and any interim actuarial investigation reports of the corporate defined benefit plans;
  - Recommend to the Board for approval of a restoration plan of a defined benefit plan;
  - Recommend to the Board for approval the shortfall limit of a defined benefit plan (note that only a new shortfall limit or a change in the shortfall limit is recommended to the Board);
  - Approve the annual self-insurance attestation (if any) for a defined benefit plan.
  - Approve the closure of a defined benefit corporate plan or the closure of the defined benefits for a participating employer within a defined benefit corporate plan.
  - Approve a 'deemed' defined benefit fund.
  - Approve member benefit augmentations involving more than 1 member.
  - Approve a change in investment strategy for defined benefit assets above \$100 million.
  - Note the half yearly reporting on actuarial matters relating to defined benefit plans.

*Other defined benefit obligations are delegated to Management.*

## Lifetime Pension Actuarial Report

### **The Committee is responsible for:**

- a. Reviewing and approving recommendations regarding the Lifetime Pension Actuarial Report and/or any Lifetime Pension solvency management issues.

## Growth

### **The Committee is responsible for:**

- a. Approving successor fund transfers (SFTs) to and from the Fund except where approval of the Board is required as outlined below. In particular, the Committee will determine in undertaking an SFT whether:
  - The relevant members have equivalent rights that the members had in their original fund in respect of benefits ['equivalent rights'];

- The Trustee can agree with the trustee of the other fund that the successor fund will confer on the proposed members 'equivalent rights';
  - That it is in best interests of members of the Fund as a whole that the proposed transfer occurs;
- Approval of the Board will be required where the SFT:
- Has assets in excess of \$500 million;
  - In the case of a "transition in" requires the creation of a new investment option(s);
  - In the case of a "transition in" requires the application for a tailored MySuper licence; or
  - Contains other material non-standard features, for example, material Deferred Tax Assets.
- b. Making decisions in relation to any matters concerning the "transition in" of members and assets of approved SFTs to the Fund;
  - c. Approving non-material changes to the Trust Deed of the Fund, necessary to "transition in" members and assets of approved SFTs;
  - d. Reviewing, providing input on, and ensure appropriate processes have been followed for each proposed SFT, in relation to, but not limited to:
    - Agreements entered into with the other trustee, and/or Principal Employer of the plan;
    - Supportive legal advice to the Trustee;
    - Completion of an SFT analysis in conjunction with the other trustee to satisfy both parties that 'equivalent rights' have been provided;
    - Documented the reasons for deciding to undertake the SFT, including the basis for concluding that the decision is in the best interests of the beneficiaries of the Fund as a whole, with consideration specifically being given to:
      - The period within which transition costs incurred in relation to the transfer will be recovered from net revenue arising from the transfer;
      - Risks inherent in the transfer;
      - Specific agreements for the transition of assets or insurance policies.
    - Ensure tailored member communications for each SFT have passed internal sign-off procedures including approval by the Due Diligence Committee where relevant. The Committee will be provided with a closure paper for each SFT, which will confirm the transition was completed in accordance with the agreed terms of the transfer and that the necessary internal sign-off of member communications was undertaken in support of the SFT;
    - Review annually the proposed SFT opportunities that have not proceeded where Management determined that it was not expected that the transfer would be in the best interests of the members of the Fund;
    - Review each SFT approved by the Committee or Board, after an appropriate period of time, to consider whether the expected member numbers, funds under management and benefits of the transfer have been realised;
  - e. Reviewing and endorsing to the Board for approval the Corporate and Merger Framework; and
  - f. Approving merger and corporate plan product and pricing offers that are outside the management delegations contained within the Corporate and Merger Framework.

## Brand, Marketing & Sponsorship

### **The Committee is responsible for:**

- a. Overseeing the performance and effectiveness of the brand and marketing strategy, and sponsorship arrangements.
- b. Approving the Sponsorship Policy.

## Committee Reporting

The Committee will regularly report to the ART Board about Committee activities, issues, and decisions.

## Charter Review

The Committee will review, on at least a triennial basis, the adequacy of the Committee Charter, and request the ART Board's approval for any proposed changes, and ensure appropriate disclosure as may be required by law or regulation.

<b>Approval:</b>	Australian Retirement Trust Board
<b>Active date:</b>	14 December 2023