



THE EASSON EFFECT

Michael Easson, chairman, ASFA

After one year as ASFA chair, Michael Easson remains curious about superannuation's direction. He tells **Darren Snyder** where the industry is headed.

The biggest fear in anything Michael Easson does is being ineffective. This is why the first independent chair of the Association of Superannuation Funds of Australia knows his role is one that carries more than a marginal impact. He says the test of ASFA, and his chairmanship, will be the effectiveness in representing industry members, as well as running a competent organisation that's highly respected.

Although Easson's impact at ASFA is probably too early to call, anyone who knows the man will guarantee he's an effective operator and a good fit to steer the industry body through its next evolution. Upon Michael's appointment in July 2015, outgoing chair Jim Minto described his successor as having "tremendous governance experience, including in superannuation."

Apart from ASFA, Easson's current appointments include: executive chair at EG Funds Management; advisory board chair at Vault Systems; executive director at Ridley & Co; chair at Icon Water; chair and member of the partnership board at ActewAGL; and president and non-executive director at the Australian Defence Association. Until July, Michael was also a non-executive-director at ANZ Stadium.

**The quote**

Dignity is a huge part of what we're on about.

The hire

Easson says becoming ASFA chair was somewhat accidental, at least in the early stages. His co-founded business, EG Funds Management, moved into its new Sydney office last year and a chance meeting outside Governor Phillip Tower set the course. Easson happened to run in to Heidrick and Struggles partner David Pumphrey, someone Michael had known for about 20 years, beginning a relationship when he worked as a board member at State Super.

“David ran in to me as I was going in to the building and he said ‘Michael I’ve got a role for you. Have you got a card?’ That’s how the relationship or the possibility of being the ASFA chair was first broached with me. I didn’t know what David had in mind or what he was talking about,” Easson says.

Easson adds it was interesting to begin the journey to ASFA without it being a personal burning desire. Knowing a little about super, Easson says the opportunity perhaps rekindled his curiosity for the \$2 trillion industry.

“A number of people said ‘Michael your diplomacy skills will be relevant to this firm.’ It appealed to me that I would bone up on an industry that I was curious about,” he says.

“When asked whether I’d be interested, I thought my skills would be a) I knew a bit about superannuation from the distant past, and b) I’m familiar with investment management and I have previously been a director of an asset consultant.”

Coincidentally Michael’s wife Mary was in the throes of completing a Masters’ thesis on the origin and development of the modern Australian system of superannuation. She will soon launch a book too, and Michael joked to the ASFA interview panel he had been learning about and understanding the super industry vicariously through Mary’s work.

ASFA’s desire for good governance standards reflects Easson’s appointment as an independent chair. He points out the panel interviews were in front of people he had not met before. “My curiosity got

me very interested to see if I could be a helpful person in this role,” Easson says.

First anniversary

Easson’s first major public address under an ASFA banner came at the association’s 2015 conference in Brisbane. He didn’t read someone else’s speech, nor did he crash and burn, and the new chair says he remembers wondering if people were going to think ‘is this bloke up to it or not.’ But moving on from a successful conference and towards the next challenge, Easson says it became apparent that chief executive Pauline Vamos would like to move after almost nine years at ASFA’s helm.

“Pauline and I had a few chats at the end of last year and the beginning of this year. She concluded that having been in the role for nine years it would be appropriate to move on. I asked her to stay as long as possible so ASFA had an orderly process to select a replacement and she agreed,” Easson says.

ASFA appointed a new chief executive in September and Easson was glad his predecessor chair, Jim Minto, agreed to be the interim chief executive for four months. However Easson adds the most important thing he and the board could achieve was selecting a good new chief executive as “Pauline’s a hard act to replace.”

No doubt announcing the new chief executive is a major ASFA milestone, but Easson himself recently notched 13 months as chair. He remains curious about super’s direction and he strongly believes fund leaders are all aiming to do the right thing by their members. He cites advocating for an adequacy clause in the objective of superannuation as one example where there’s strong support for common policy.

Easson says he’s not sectarian to ASFA and there are several distinct industry voices that need to be heard in the public square. He sees ASFA as an association that can also provide public resources for support to all of the industry organisations.



The quote

Are we deliberately putting barriers in front of ordinary folk trying to understand what we're doing?

**The quote**

We've all got a task to make superannuation as easy to understand as your home mortgage.

What can super do better?

When Easson first arrived at ASFA he saw superannuation as delivering a strong retirement policy platform for Australians. He saw ASFA's role as ensuring confidence is maintained in the super system and "that in time it helps to effectively deliver the retirement aspirations of most retirees."

Nowadays adequacy and dignity are two words in the context of retirement that Easson uses to describe what ASFA and the wider super industry is really attempting to achieve. It is his genuine belief that ordinary Australians can retire with dignity but super has to make this easier and help facilitate it.

"It's not only the savings we're able to now put to good use in developing the country and invest for the future, we're also able to provide that money for people to live in dignity. That word dignity is a huge part of what we're on about," Easson says.

"In the industry we've all got a task to make superannuation as easy to understand as your home mortgage. My role is to be an outsider and I would say that some of the words we use in the industry, no one would understand what you're talking about. We have to ask are we deliberately putting barriers in front of ordinary folk trying to understand what we're doing?"

A helpful way to understand what drives ASFA and its attitude towards achieving better member outcomes is the organisation's guiding principles. Easson says the seven principles are about simplicity, clarity and keeping focus on what's in the best interests of members. "I think the short statement is incredibly clear in giving us focus. It's not overly complicated, nor grey and cloudy," he says.

Mindful of the respected research and policy work ASFA already

completes, Easson can see an increased attention to investment policy. He notes at this year's conference QSuper chief investment officer Brad Holzberger, on behalf of ASFA, will submit a paper focusing on several investment issues. It will include ASFA's position on how to maximise returns in a risk-sensible way for members, as well as the hot topic of insourcing or outsourcing alignments between fund managers and investors.

Easson strongly believes more information, transparency, and clarity is vital to super and the financial services industry at large. He sees a need to better understand the experiences of previous major projects, including what went wrong, and there's a role to be played by the federal government in ensuring that information is understood, congested and proclaimed. He adds this was highlighted in recent Productivity Commission submissions to a review of super's competitiveness and efficiency.

"Part of we wanted to do in our submission to the Productivity Commission was to make it clear we're doing a good job in many areas and some of them need to be improved. Part of that are simplicity and transparency and ensuring that we build on what is an already interesting system already and make it better," Easson says.

Infrastructure views

Acknowledging that without infrastructure and private equity investment super funds would struggle to deliver growth-like returns; Easson has a view there is still much to be achieved in delivering proper Australian infrastructure valuations.

Not directly related to his ASFA role but generally of interest to the wider super and institutional investment industry was Easson's recent paper: Australian Infrastructure from the Grandstands. He asks whether Australian society, including government and business, learns enough from major infrastructure projects.

"Arguably the most significant source of risk in the management of all infrastructure projects is inaccurate forecasts of project costs, demand, and other impacts. Inaccuracy and misallocation of risk is often due to optimism bias and strategic misrepresentation, together with insufficient pre-planning of project details," Easson says.

"The secrecy on the NBN funding and management, across both recent federal governments, as well as lack of detail concerning major road projects (West Connex in Sydney, and the East West Tunnel in Melbourne) and in major rail projects mean that decision makers, both now and in the future, cannot be sure of the reliable sharing of information. This must be a major concern of public policy."

Easson adds research from Oxford University's Bent Flyvbjerg shows that in the past 30 years, forecasts of mega urban transport projects across the OECD have remained constantly and remarkably inaccurate. He says transportation infrastructure projects' inaccuracy in cost forecasts is on average 44.7% for rail, 33.8% for bridges and tunnels, and 20.4% for roads. This is even before passenger and traffic forecasts are taken in to account.

"Secrecy, lack of transparency and inattention to comprehensive learning from the past are considerable threats to excellence in project delivery," Easson says.

"Ultimately, investors, superannuation funds included, as well as government, and more generally the public, have a long term interest in getting the projects right.

"Otherwise the current boom in infrastructure spending and the potential misallocation of resources might be seen as the big pink batts of the future." **FS**