

Proposed Sale of the Central Park Office Tower by the Government Employees Superannuation Board

Report 2 – April 1999

Background

The Government Employees Superannuation Board is the largest Western Australian Superannuation Fund, administering superannuation entitlements of over 238 000 current and former public sector employees. Funds under management are valued at in excess of \$1.4 billion.

Since the early 1990's, the Board that administers the Fund has publicly acknowledged the need to diversify and reduce the 22 per cent of Fund investments held in property. The key to this diversification has been the sale of Central Park, a 65 000 square metre office tower located in central Perth.

In 1998, the Board invited four property groups plus its property advisers, the AMP, to submit proposals for the diversification of its property interests including the sale of Central Park. Subsequently, the Board agreed in principle to the proposal from AMP. However, in March 1999, the Board decided not to proceed with the arrangement, citing as particular concerns proposed business tax reforms that would affect the viability of the AMP proposal.

What the examination found...

- The Board has long recognised the prudence of reducing the exposure of the Fund to property while at the same time diversifying its property holdings. The proposed sale arrangement would have enabled the Board to achieve this objective.
- The method of sale whilst practiced in the private sector is rarely used in the public sector.
- A more openly competitive sale process would have provided greater assurance regarding the adequacy of the price.
- The Board had not obtained the Treasurer's approval for that part of the proposed sale transaction involving investment in a Unit Trust.
- Transparency and public confidence would have been enhanced by:
 - appointment of an independent expert to assist in the evaluation of proposals rather than relying solely on internal expertise.
 - clearly placing AMP at arms length.
 - appointment of a probity auditor to oversee the process and provide assurance as to its integrity.

What the examination recommended...

For future significant investment transactions, the Board as a matter of course should:

- use a public and transparent process, and
- ensure evaluation of proposals is demonstrably independent.