

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

10 – 11 February 2010

Question: aet 12

Topic: Unit Pricing

Hansard Page: Written

Senator BUSHBY asked:

1. How many inquiries and or complaints has APRA received regarding switching, valuation and unit pricing in relation to superannuation funds during the period July 2008 – April 2009 (the GFC period)?
2. Has APRA made any directions, formal or informal, for funds to rectify inefficient and/or inequitable practices which might impact member balances in any of the funds which it regulates?
If so, please provide details without attribution to funds or individuals, but via segment along with percentage of total occurrences (public sector, industry, corporate and retail)?
3. Can you advise when APRA will be publishing a guide or policy relating to switching, valuation and crediting rates for those funds which do not use unit pricing practices/methodology in accordance with APRA's unit pricing paper/policy?

Answer:

1. Seven.
2. General guidance on unit pricing which deals with ensuring equity across distinct classes of membership, *Unit pricing – guide to good practice*, was issued jointly by APRA and ASIC on 3 November 2005 and updated on 28 August 2008. Where issues are identified in the prudential reviews of regulated entities, APRA advises remedial action to be taken by trustees within defined time frames. The entities' risk rating and supervisory stance would be calibrated accordingly. APRA does not collect data to the level of detail requested.
3. The question presumes that the use of unit pricing vs crediting rates entails substantively distinct approaches in regard to switching, valuation or crediting rates, and hence a need to separately deal with non-unitised funds. This is not correct. For a given frequency of striking unit prices/crediting rates, these issues are identical in their member impact whether funds are unitised or not. APRA has been reiterating this to the industry during its ongoing interactions.