

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates, 1 to 4 June 2004

Question: Bud 88

Topic: APRA - Breach of in-house asset rule

Hansard Page: E44

Senator Sherry asked:

I am informed that Manildra is in substantial breach of the in-house investment rule. Can you provide the following information:

1. To what extent APRA is aware and what action has APRA taken with respect to the complaint or the details of the breach of the in-house investment rule in this particular case?
2. The name of the superannuation entity operated by Manildra, the type of superannuation fund, DB or defined contribution?
3. The names of the trustees of the Manildra superannuation entity?
4. Details of the remedial action that APRA has required of the Manildra superannuation entity?
5. The size of the superannuation fund in terms of employees and the asset value?
6. In the absence of public listing on stock exchange, how in the declaration of dividend can the superannuation fund receive a credit rating; how would that operate in the case of a company that is not publicly listed?
7. If someone leaves, how do they calculate the asset value of an individual account within the Manildra superannuation fund?
8. Whether or not Manildra is in serious breach has there been any reporting of that breach to any minister or to their office by any officer of APRA and, if so, when that report occurred to that minister's office or that minister's office staff?
9. Is it correct that the Manildra superannuation group have removed either the fund auditor or the fund actuary, or both, from their positions with the Manildra Group superannuation fund?

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10. a) Who was removed?
b) Why they were removed?
c) What date they were removed?
d) Who they were replaced by and the reasons given by the trustees of the superannuation fund for the removal of the auditor and/or the actuary of the superannuation fund?
11. Advise whether in fact Manildra have reported to employees of the company who are members of the fund and in what detail they have reported to employees about the alleged breach of the in-house investment rule?

Answer:

Based on the information available to APRA, the Manildra Flour Mills Retirement Fund is in compliance with the in-house assets provisions of the Superannuation Industry (Supervision) Act (SIS Act).

An in-house asset under Section 71(1) of the SIS Act includes a lease or lease arrangement between the trustee of a fund and a related party of that fund. Section 82 limits in-house assets to no more than 5 per cent of the value of a fund's assets.

Under Section 71B of the Act, a lease arrangement between the trustee of a fund and a related party of that fund is not an in-house asset of the fund if it was entered into prior to the test time. The test time defined under Section 71F is 11 August 1999.

APRA has not received any complaint in relation to any alleged breach of the in-house asset provisions by the Manildra Flour Mills Retirement Fund. To the extent that the Fund has entered into arrangements with the employer-sponsor of the Fund, these arrangements have been reviewed by APRA as part of its normal supervision work. APRA is of the view that the Fund is in compliance with the in-house assets of the SIS Act, ie in-house assets (excluding those exempted under Section 71B of the Act) do not exceed 5 per cent of the Fund's assets.