

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Supplementary Budget Estimates

17 October – 18 October 2012

**Question:**               **SBT 6**

**Topic:**                   **Unit Pricing Errors in Superannuation**

**Hansard Page:**       **pg 122-123, Wednesday 17 October 2012**

**Senator BUSHBY asked:**

**Senator BUSHBY:** What is APRA's policy and practice in respect of unit pricing errors in superannuation?

**Mr Jones:** I think you should have asked this question a few points before.

**Senator BUSHBY:** I asked lots of questions about unit pricing before, but this one is slightly different.

**Mr Jones:** Do you mean what do we do about errors?

**Senator BUSHBY:** Yes, if unit pricing errors become apparent as part of your work.

**Mr Jones:** We have the unit pricing guide which we put out jointly with ASIC. Unit pricing errors are generally identified by the institutions themselves and quite often the unit pricing errors come from the complexities of the tax legislation surrounding it. Generally speaking the institutions concerned will get in touch with APRA and explain to APRA that they have a unit pricing error. We talk to them about the process by which they will undertake restitution.

**Senator BUSHBY:** You indicated there are a number of reasons this may happen and some of those are above board. What percentage of funds regulated by APRA experience errors? Do you have those sorts of figures?

**Mr Jones:** It is not a statistic we collect in terms of percentage of funds that have unit pricing errors. They tend to be random. The institutions notify us and then we talk about restitution. It is not a large number. I could go back and work out the number and give you a percentage, but I do not think it would have much relevance in the sense of a percentage of the number of funds. It is far more important in terms of the size of the unit pricing errors rather than number.

**Senator BUSHBY:** I suspect that would direct APRA in terms of the response that you would take. If it is a small error it is probably easily fixed, but if it is substantial it may have an impact on some of the owners of the accounts and it may be more important to make sure you get restitution.

**Mr Jones:** You tend to find that the large errors in terms of dollars do not necessarily turn out to be large dollar amounts for individuals, because quite often they are small errors for a very large number of individuals.

**Senator BUSHBY:** Do you conduct any investigations into those that you think are more serious?

**Mr Jones:** Yes, because we have in certain circumstances established complete restitution plans whereby there are a very specific deadlines to be met. Also, it is not just a case of getting restitution

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for members; it is also a case of looking at the processes that led to the errors in the first place and making sure that they have a mechanism to make sure it does not happen again.

**Senator BUSHBY:** Obviously without naming any, are you investigating any funds at the moment for unit pricing errors?

**Mr Jones:** Not that I am aware of.

**Senator BUSHBY:** Are you aware of any cause for legislative reform to redress unit pricing deficiencies?

**Mr Jones:** No.

**Senator BUSHBY:** Have you received any recommendations on making any legislative changes or that you have looked at providing advice on?

**Mr Jones:** No, not that I am aware of.

**Senator BUSHBY:** Have you issued any enforceable undertakings in respect to retail and employer sponsored funds during the past six years in respect of unit pricing?

**Mr Jones:** I think the answer would be yes.

**Senator BUSHBY:** Please take that on notice.

**Mr Jones:** I will take that on notice and check. Given that most of the unit pricing errors that have been identified over the past number of years have come from retail funds, they may or may not have involved enforceable undertakings depending upon the way in which you had the restitution program.

**Answer:**

**Have you issued any enforceable undertakings in respect to retail and employer sponsored funds during the past six years in respect of unit pricing.**

APRA maintains a public register of Enforceable Undertakings (EUs) on its public website at: <http://www.apra.gov.au/CrossIndustry/Pages/EnforceableUndertakings.aspx>. No EUs have been issued by APRA to retail and employer-sponsored funds.