

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates 2012

15 – 17 February 2012

Question: AET 1276

Topic: Trio compensation payments under the SIS Act

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Senator Cormann asked:

In relation to Trio compensation payments under the SIS Act, they were first announced in April 2011 but actual payments were not made until a few days ago. What caused the 10-month delay?

Mr Murphy: There were various issues that we had to work out with APRA and the advisers. They included the proper estimates of how much money should be paid to particular people.

Mr Lonsdale: The original announcement was a commitment to pay the \$55 million. What has happened in the interim is a lot of work to recreate the account balances and to try to work out what the account balances would have been if Trio had not collapsed. There were over 5,000 members, so they are quite difficult calculations to make. Those calculations were done by APRA and the trustee. A checking process then followed. That has taken a lot of time.

Senator Cormann: Given that so much time passed between the announcement and the payment, has been an adjustment for loss of earnings over that 10-month period or did you stick to the line in the sand at the time?

Mr Lonsdale: I am happy to come back to you on that if you are interested in the exact calculations.

Senator Cormann: I am interested in exactly how much the government eventually paid out and whether or not there was an adjustment because of the delay and, in some more detail, what caused the delay. If you could provide that information on notice, that would be great.

Mr Lonsdale: We can provide that.

Answer:

1276. Treasury has received advice from APRA in responding to this question. The total amount paid to superannuation fund members in the first week February 2012 totalled \$54,038,491 which includes an amount of \$1,577,393 of interest accrued from December 2010 to 27 January 2012.

Delay was incurred because of the task of ensuring that the Acting Trustee had identified all the eligible fund members; the complexity in the process of calculating and recalculating members' balances due to the fact that Trio had not been consistent in its IT system; taxation issues; allocation of earnings on the compensation fund; and allocation of costs equitably amongst the fund members.

Given the magnitude of the fraud and the need to recalculate members' benefits, the Government considered it appropriate that the Acting Trustee engage an independent firm of consultants to verify the methodology used and to ensure that the calculations were reasonable and equitable between affected members. This process added to the time needed to process the payments.