



Levy to Recoup Grant of Financial Assistance to Superannuation Funds

February 2013

AIST Submission

Background

Early last year a grant of around \$55 million was provided under Part 23 of the Superannuation Industry (Supervision) Act 1993 (SIS Act) to compensate victims of fraud in the APRA-regulated superannuation industry resulting from the collapse of Trio Capital Limited (Trio). This grant was recouped via a levy imposed on the superannuation industry in 2011.

In the second half of 2012, the Government agreed to provide a further grant of \$16.7 million under Part 23 of the SIS Act to compensate members of superannuation funds that invested in Trio and to recoup a shortfall of \$2.2 million from the superannuation industry in relation to the 2011 levy.

It is understood that the second grant was made to correct a calculation error relating to the writing off of a deferred tax asset and reimburse members for costs incurred since 1 January 2011.

AIST

The Australian Institute of Superannuation Trustees (AIST) is an independent, not-for-profit professional body whose mission is to protect the interests of Australia's \$500 billion not-for-profit superannuation sector. AIST's members are the trustee directors and staff of industry, corporate and public-sector superannuation funds, who manage the superannuation accounts of two-thirds of the Australian workforce.

AIST is a registered training organisation and has recently expanded its education program to encompass the growing and changing needs of all members of the not-for-profit superannuation sector.

AIST offers a range of services including compliance and consulting services, events - both national and international - as well as member support. AIST also advocates on behalf of its members to relevant stakeholders.

AIST's services are designed to support members in their endeavour to improve the superannuation system and build a better retirement for all Australians.

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Comments

The Trio Capital collapse was a disaster for a number of investors, creating uncertainty and contributing to a reduced level of confidence in superannuation, many financial products and providers. AIST fully endorsed the Parliamentary inquiry and supported the imposition of an industry-wide levy to both financially compensate pooled fund members affected by the collapse and regain confidence lost in the system. As an organisation that represents trustees of superannuation funds, AIST believes that appropriate risk management measures are fundamental to protect and uphold the reputation of Australia's financial services industry.

AIST understands that this draft legislation is the result of determination made by the Minister for Superannuation and Financial Services to cover calculation errors and administration costs. However the cost of Trio has now grown to around \$71M. Moreover, according to a letter¹ to members from ACT Super Management Pty Ltd (Acting Trustee) on the 30 October 2012, there will be further applications for assistance. AIST also notes that the vast majority of our member funds are funding a levy for an investment they were not involved in.

Rate of Levy

AIST has no comment on the rate of the levy (0.00002482). We understand it is one of the levers (along with minimum and maximum amounts) used in the total compensation calculation, so that the total levy raised does not exceed the amount needed to be recouped or that the total of all levies payable do not exceed 0.5% of the fund's value for the relevant financial year. AIST also notes that the rate cannot exceed 0.0005.

AIST is also comfortable with the date used for the value of assets, that being at the end of the last financial year of the fund before the day on which the regulation imposing the levy takes effect. This reduces the ability to manipulate the fund FUM to reduce the levy payable and also reduces the administrative burden of the process.

Maximum and Minimum amounts of Levy

Based on the amounts proposed in the exposure draft (minimum of \$50 and maximum of \$750,000), very large funds with FUM of greater than \$30 billion are paying a proportionately smaller amount of levy as compared to the smaller balance funds. The lower limit is approximately \$2M FUM. Based on these proposed rates, the vast majority of APRA regulated funds will be paying proportionally similar

¹ <http://www.triocapital.com.au/LinkClick.aspx?fileticket=qFesPIbPtlc%3d&tabid=373>

amounts and the levy is therefore seen as broadly equitable between funds.

AIST, however, continues to recommend that Treasury review the calculation method for levies to take member base into account. Additionally, as funds potentially grow larger due to mergers, higher inflows and investment performance, formulae that do not take into account a fund's member base may become more inequitable and disconnected from the industry.

AIST recommends that Treasury and APRA be tasked to review the calculation method for levies to take member base into account.