

# CBH SUPERANNUATION HOLDINGS PTY LTD AS TRUSTEE FOR CBH SUPERANNUATION FUND

## UNIT PRICING POLICY

Date of Board approval:	7 April 2017
Next review:	April 2018
Document status:	APPROVED
Number of pages (incl. cover):	8

*Policy History:*

Version 4: 7 April 2017

Version 3: 1 November 2015

Version 2: August 2013

Version 1: 1 November 2012

# CONTENTS

Title	Page
PURPOSE.....	3
DEFINITIONS.....	3
RESPONSIBILITIES IN THE UNIT PRICING PROCESS .....	3
OUTSOURCING OF UNIT PRICE CALCULATIONS.....	4
RULES FOR CALCULATING UNIT PRICING.....	4
Frequency and application of pricing .....	4
Method for and frequency of valuing assets and liabilities .....	4
Buy-sell spread to unit prices.....	5
Calculated unit prices .....	5
Backdating of transactions.....	5
Situations requiring a suspension of transactions and re-pricing .....	6
APPROVAL OF UNIT PRICES .....	6
Interim unit prices .....	6
Year-end unit price .....	7
UNIT PRICING ERROR GUIDELINES .....	7
General guidelines.....	7
Use of materiality threshold .....	7
Compensation in relation to unit pricing errors.....	7
Recovery of compensation costs .....	8

## PURPOSE

The purpose of this document is to:

1. provide a framework to enable unit prices to be calculated;
2. provide members a clear statement on how the unit prices used to purchase and sell units in their account and calculate their benefits are determined;
3. provide members a clear statement on when the Trustee will calculate and re-calculate unit prices; and
4. provide a clear statement on when and how the Trustee will correct errors in the calculation of unit prices and when and how members will be compensated for losses resulting from unit pricing errors.

The Trustee has developed this policy in compliance with its legal obligations under the Fund's Trust Deed, trust law, the *Superannuation Industry (Supervision) Act* and the *Corporations Act*.

The Trustee has considered the risks associated with unit pricing and developed this policy taking into account the size, business mix and complexity of business operations or the Trustee.

## DEFINITIONS

**APRA** is the Australian Prudential Regulation Authority

**The Trustee** is CBH Superannuation Holdings Pty Ltd

**The Fund** is CBH Superannuation Fund

**The Board** is the board of directors of CBH Superannuation Holdings Pty Ltd

**CEO** is the Chief Executive Officer

**CIO** is the Chief Investment Officer

**SuperBPO** means SuperBPO Pty Ltd and includes any associated companies that may provide services to them to enable them to meet their obligations under the Administration Agreement with the Trustee

## RESPONSIBILITIES IN THE UNIT PRICING PROCESS

The Trustee is responsible for:

- setting the Unit Pricing Policy and for its implementation;
- ensuring the unit pricing practices and calculation of benefit complies with the Fund's Trust Deed and Product Disclosure Statement; and
- approving year end unit prices for application to member accounts.

The CEO (or their delegate) is responsible for:

- documenting the unit pricing process and ensuring this process document remains up-to-date;
- obtaining updated valuations for unlisted holdings when required and providing these to SuperBPO;
- advising SuperBPO of any change to the buy-sell spread for any option;
- advising interim prices to the Board and providing the Board with calculated year-end unit prices for their approval; and
- publishing the unit prices to the Fund's website.

SuperBPO is responsible for:

- obtaining asset valuations for all market related holdings at the unit price calculation date and any investment transactions during the period;

- determining the split of assets between investment options;
- the calculation of unit prices for all options;
- approving interim unit prices;
- ensuring the correct entry of approved unit prices to Acurity; and
- advising the Fund of unit prices once calculated.

The CIO is responsible for:

- monitoring changes in the S&P ASX 200 Accumulation Index throughout the month and advising the CEO if there is a greater than +/- 5% movement from the last price date;
- advising the CEO if a significant event occurs .

The Trustee may engage external parties to value assets and calculate unit prices, however the responsibility for setting all unit prices remains with the Trustee.

## **OUTSOURCING OF UNIT PRICE CALCULATIONS**

The Administration Agreement with SuperBPO includes that SuperBPO will provide Unit Pricing Services to the Trustee. SuperBPO utilize the services of another company in the MainstreamBPO Group, FundBPO, to do the calculation of unit prices.

FundBPO’s process for the calculation of unit prices is set out in their document “Pricing Policy and Procedure”, however the following rules set by the Trustee apply for their calculations of CBH Super unit prices. Where there is any inconsistency between the Trustee’s rules and the FundBPO policy, the Trustee’s rules will apply.

## **RULES FOR CALCULATING UNIT PRICING**

### **Frequency and application of pricing**

The Trustee will declare unit prices at the end of each month. The prices declared will be applicable for the month following the unit price calculation date, ie a historic unit pricing method applies.

The Trustee may review the interim unit price at any time during a month where it believes a significant event has occurred which warrants such a review. The ‘*Situations requiring a suspension of transactions and re-pricing*’ section of this policy on page 6 provides detail on intra-month pricing.

Where the interim unit price is updated during the month, the new prices will apply from the day following the date of re-calculation until the end of the month, or the date a further recalculation is required during the month if applicable.

### **Method for and frequency of valuing assets and liabilities**

The Trustee acknowledges the appropriate and accurate valuation of assets and any related liabilities is essential to the calculation of unit prices. For the purpose of setting interim unit prices, assets will be valued as follows:

Listed Shares, Property Trusts and Hybrids	The last trade price on the date of unit price calculation, as reported by Bloomberg (or similar alternative marketing pricing service).
Managed Investments (Unlisted)	The redemption unit price on the date of unit price calculation, as advised by the manager of the fund. Where the managed investment is a distributing trust, the Ex price will be used and calculation of unit pricing will be done after distribution amounts

Trusts)	have been finalised and included in the calculations.
Direct Property	The Fund's direct property holding is valued at least annually and will remain valued at that amount until the next valuation. Directors are advised of this valuation at the next Board meeting. Where the CEO and CIO have reason to suspect that the value may have materially changed, more frequent desktop valuations may be obtained and this value will be used until the next valuation is completed.
Unlisted assets	The Fund's holding in Perth Clinic is valued biennially and will remain valued at that amount until the next valuation unless the CEO and CIO have reason to suspect that the value may have materially changed. For any new unlisted asset purchased, the Board will determine, at the time of the purchase, the valuation frequency required for that asset.
Term Deposits and Cash	The balance in the bank account or term deposit as at the date of unit price calculation. Any interest accrued will be included in the valuation of term deposits and Cash.

For the purpose of setting interim unit prices, expenses are accounted for on a cash basis and the reduction of net assets will occur in the period the expense is paid. No accrual of receivables, payables or smoothing of expenses throughout the year will be made.

For the purposes of setting interim unit prices, the liabilities of the Fund are the total of member's benefits and the reserves held by the Fund.

For the purpose of setting the unit price effective 30 June each year, net assets are valued as per the financial statements for the Fund.

### **Buy-sell spread to unit prices**

The Trustee will calculate the buy-sell spread to be applied for each option based on:

- the spread charged by each manager, brokers etc for each asset held;
- the target asset allocation for each option; and
- the target for each individual manager or group of assets (eg directly held shares, direct bonds) within the option.

The buy-sell spread for each option will be the total buy-sell spread calculated so the spread charged is no more than is required to recover the costs charged to the Fund.

These spreads will be recalculated each time there is a change to target asset allocation for an option or a new manager is appointed for the Fund.

The year-end unit price used to calculate benefits will be the NAV price for all options.

### **Calculated unit prices**

Interim unit prices and the year-end unit price will be calculated and entered to 4 decimal places.

### **Backdating of transactions**

The Trustee acknowledges the backdating of transactions will cause the units on issue for the Fund to change and as such will impact the unit prices calculated. The Trustee will apply the following rules in relation to processing of transactions:

- Benefits will be calculated using the unit price effective the date the benefit is processed, not the price in effect when the request was received by the Fund if a new price has been set before the benefit is paid.

If a rollover payment is made outside 3 days after receipt of the request (ie breaching payment standards), the unit price effective on the 3rd day should be used to ensure no members are disadvantaged.

- Cashflows in (contributions and rollovers) will buy units effective the date the contribution or rollover is received to the Fund's bank account, even if processed on a subsequent day.
- Refunds will be processed using the unit price effective the date the refund is processed, even if this price is different to the price on the date the original transaction was received.
- Administration fees, insurance premiums and contributions tax will be deducted from member accounts at dates as outlined in the current Product Disclosure Statement.
- Where the Fund has made a processing error, the transaction will be backdated to the date it should have been processed had the error not occurred.
- A re-calculation of unit prices to determine the impact will be done where the backdated transactions represent 0.3% or more of Fund assets.

### **Situations requiring a suspension of transactions and re-pricing**

The Trustee may review the interim unit price when it believes a significant event warrants such a review.

In the event of a greater than +/- 5% movement in the S&P ASX 200 Accumulation Index since the date of the last unit price calculation, the Trustee will suspend any requests for full benefit payments until it is determined whether a recalculation of the unit price should be done.

As the Fund makes few benefit payments and does not actively trade its assets, a recalculation of unit prices will generally only be done where:

- the movement in the S&P ASX 200 Accumulation Index remains at + or - 5% since the date of the last unit price calculation for two consecutive days; and
- the movement is more than two business days prior to the end of the month.

In this case, the unit price recalculation will be done effective the second day of +/- 5% movement from last unit price calculation date.

The Trustee may also choose to alter unit price calculation frequency or suspend the valuation of the assets of the Fund in any other case it believes not doing so may result in material inequity between members. This may include situations such as:

- Market prices of underlying assets not being available;
- Asset markets becoming extremely volatile;
- External events or shocks resulting in an inability to fairly calculate the net asset value of the Fund, for example due to one or more stock exchanges being closed for business;
- Large numbers of redemptions by volume or value which impose an unfair burden on remaining members; or
- The Fund becomes or is illiquid.

The Trustee will seek APRA's consent if such action could result in member rollover requests not being paid within 3 days of complete payment instructions.

## **APPROVAL OF UNIT PRICES**

### **Interim unit prices**

Interim unit prices are used in:

- calculating unit purchases for members who have contributions or rollovers paid in to their account; and
- calculating the benefits of members who exit the Fund during the year or otherwise withdraw or transfer amounts from their account (including the payment of fees, premiums and taxes).

The Trustee delegates the authority to SuperBPO to calculate and apply unit prices for each investment option in the Fund in accordance with the Unit Pricing Policy set by the Board.

### **Year-end unit price**

The year-end unit price will be approved by the Trustee after the Fund's annual financial statements have been completed.

## **UNIT PRICING ERROR GUIDELINES**

### **General guidelines**

The Trustee has developed controls to minimise the chance of unit pricing errors occurring. Despite these controls, the Trustee acknowledges errors may still occur.

When an issue is identified that could affect members, the Trustee will promptly investigate the issue and respond.

The updating of assumptions when new information becomes available, the re-valuing of assets or changing any aspect of the Unit Pricing Policy are not errors that require the re-calculation of previous unit prices or payment of compensation to members.

### **Use of materiality threshold**

Where the Trustee determines an error has occurred, a materiality threshold will be used to determine if an error requires new unit prices to be declared.

The Trustee will generally apply a materiality threshold of 0.3% when determining whether an error requires correction. Where an error is below the threshold, the Trustee will generally not change the unit prices previously declared for that period.

The Trustee may choose to apply lower materiality thresholds at its discretion. Examples of where a lower materiality threshold may be considered are where:

- there is a lower expectation of volatility; and
- the error is lower than the materiality threshold, but large transactions have occurred which may make the impact of the error on individual members large in absolute dollar terms.

### **Compensation in relation to unit pricing errors**

The Trustee will compensate members whom it believes have been adversely affected by an error. The Trustee aims to produce a fair and equitable outcome for all members.

However, not all issues will require compensation and each issue will be considered on a case-by-case basis.

If an error is identified as being material and the member has been adversely impacted by the error, individual member compensation will most likely be made by the Trustee.

For current members of the Fund, there is no minimum dollar materiality threshold applicable. All current members who have been affected will be compensated via an

increase in their unit holding in the Fund or by any other means determined by the Trustee.

For exited members, compensation payments of less than \$20 will generally not be made. The Trustee has determined that very small amounts of compensation are of no or minimal value to the former member and the administrative costs of processing these small amounts are relatively high compared to the benefit received.

Where compensation of greater than \$20 is payable to an exited member, compensation will be paid by cheque or electronic funds transfer to their rollover fund or the member's bank account as per their original payment instructions. Members will be given the opportunity to advise new payment instructions to the Fund should they wish to do so.

For current members that have benefited from the error, the Trustee will restore their account to the position they would have been in had the error not occurred.

The Trustee will consider whether it is appropriate to seek recovery of any overpayments from former members who have unfairly benefited from the error. The Trustee will take into account the cost of recovery in comparison to the amount that will be recovered.

Where the Trustee determines it is not appropriate to attempt to recover overpayments from an exited member, the cost will be borne by the Fund's operational risk financial requirement.

The Trustee will communicate to members about errors in unit pricing addressing how the error occurred and what action will be taken to correct the error. The timing of this communication will be determined balancing the need to provide information quickly and providing information that is sufficiently complete so as to be meaningful to members.

The Trustee will advise APRA as soon as possible once a unit pricing error has been discovered.

### **Recovery of compensation costs**

When a unit pricing error has been caused by an external party, it may be possible for the Trustee to seek a good value claim from that party for the cost of compensation payments and/or the cost of managing the rectification of the error.

Where the error has been caused by or contributed to by a failure of the Trustee's own procedures, the Trustee will make appropriate notifications to the relevant insurers to seek recoveries under its insurance policies.