Australian Government
Australian Accounting Standards Board

WEBINAR: AASB 1056 *Superannuation Entities* – A new approach

Presented by Kris Peach, AASB Chair; and Clark Anstis, Assistant Technical Director (A/g)
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Question and Answer session

1. **Should we (a superannuation entity) include the tax credit from group insurance premium deducted from members' accounts in the total balance of tax on contributions for the Statement of Changes in Member Benefits?**

   The tax that goes into the statement of member benefits is only the tax directly related to the contributions or other items directly impacting the member benefit liability.

   If you are an insurance principal, the group premium tax credit goes through the profit and loss first, then into the Statement of Member Benefits through the amount allocated to members. If you are an insurance agent then the premium goes through the statement of member benefits as you are paying it on behalf of the member, reducing the liability. Accordingly any associated tax credit should follow the premium.

   If you are an insurance agent you may disclose the premium and/or associated tax separately or on a net basis, considering what will be most useful to users of the financial statements.

2. **In the AASB Staff FAQs on AASB 1056 (page 6), under presenting tax rebates to members, it shows that you can split out tax rebates to members. But can you also include those as a net figure in the contributions tax charged to members?**

   Yes, it maybe be shown net or gross.

3. **The change to use fair value for assets has resulted in a difference to how actuaries are required to calculate a DB fund's VBI and ABI. Actuaries are required to use NMV when calculating these indices. Has any thought been given to this?**

   This was considered as part of the standard-setting process. It was decided that it was more important to be consistent with accounting standards, and that disclosure should highlight these types of differences between actuarial and accounting requirements where they impact under or overfunding.

4. **Do you have any comments in relation to the different treatment of transaction costs under AASB 1056 vs the asset value used under the Actuarial standard when calculating ABI/VBI?**

   This was considered as part of the standard-setting process. It was decided that it was more important to be consistent with accounting standards, but that disclosure should highlight these types of differences between actuarial and accounting requirements where they impact under or overfunding. AASB 1056 is based on a going concern basis, so transaction costs are not included in fair values.

5. **Restating the comparatives – is there a requirement for a note disclosure?**

   AASB 108 still applies to the transition to the new Standard, so if there are material restatements, an explanation will be required in the financial statements.

6. **Employer sponsorship receivable for a public sector entity: if there is no statutory obligation, but it is written in the government's budget, is this grounds for recognising the asset given it is a constructive obligation and it is in writing?**

   A budget is not likely to be enforceable; accordingly it is unlikely the superannuation entity controls the receivable.

7. **Shall we consider the government's obligation to pay the unfunded liability under AASB 119?**

   Recognition of a liability under AASB 119 is not likely to be enough to enable the superannuation entity to control the receivable.

8. How can we define the right to the contribution? Does there have to be a contract in place with the employer?

You may not need a formal contract with an employer to create an enforceable obligation. What is legally enforceable will be a question of fact. A commitment in writing may be sufficient.

9. For public sector defined benefit plans where an unfunded liability exists, the government has made contributions in past years. Does this provide evidence that an enforceable right exists?

Funding of deficits in prior years may give rise to a constructive obligation on the part of the government. It does not, however, necessarily give rise to a receivable for the superannuation fund. The issue is whether the superannuation fund can control the receivable in the future.

10. For defined benefit sub plans, can the fund use Plan ID rather than name of fund for deficit/surplus disclosure?

Yes.

11. Any thoughts on whether purchase and sales of investments are considered 'operating' or 'investing' activities in the cash flow statement?

To determine whether purchases and sales of investments are considered 'operating' or 'investing' cash flows, consider the general requirements of AASB 107 and look to the substance of the cash flows.

Operating cash flows are the revenue producing activities of the entity, so consider whether investments are held for trading/speculation v capital appreciation etc. Discuss with your auditors early. You may also want to consider the approach taken by Managed Investment Schemes.

12. Any insights as to whether APRA will change their reporting forms to align to AASB 1056 (currently in line with AAS 25)?

Yes, they are now considering what extra guidance/amendments will be required. We will keep you advised when we have a better idea of their timeline.

13. For a DC fund, would you expect to see contributions receivable and benefits payable previously recognised in the statement of financial position derecognised on application of AASB 1056?

Benefits payable will remain as liabilities, so it's a question of whether you want to reclassify them into the member benefits liability, or still want to separately disclose them. APRA may want the specifics of the benefits payable amount separately reported.

Contributions receivable should be reassessed to determine whether they meet the asset recognition criteria. If the member controlled the right to receive the contribution from the employer at year end then it should continue to be recognised as an asset. However, it should be reclassified into the member benefits liability if it's material, as it is the member's contribution receivable, not the fund's receivable.

14. Where a DB member also has an accumulation balance, a technical reading of the Standard requires the accumulated portion to be included in the DB column/disclosures. A practical approach is to include the accumulated portion in the DC column. Does the AASB have a view on this?

The disaggregation requirements want you to focus on the nature of the member's interest in the funds and the risks, so if the interests of hybrid members are significant, you may need to separately disclose them. The nature of their interest is different to both DB and DC members. Generally it would not be expected that an individual member benefit would be split.

15. Is there any specific e-mail address to which we can send questions when we face an issue to seek guidance?

The e-mail address is standard@aasb.gov.au, which is monitored. Questions will be passed to the relevant staff member.