



Australian Government
**Australian Accounting
Standards Board**

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10 November 2010

Ms Fiona Reynolds
Chief Executive Officer
Australian Institute of Superannuation Trustees
Ground Floor
215 Spring Street
MELBOURNE VIC 3001

Dear Ms Reynolds

AASB Exposure Draft ED 179 Superannuation Plans and Approved Deposit Funds

Thank you for your letter dated 18 October 2010. The Australian Accounting Standards Board (AASB) appreciates the input and feedback that constituents, including the Australian Institute of Superannuation Trustees (AIST), provided on ED 179 as they assisted it greatly in refining the proposals contained in the document.

The AASB decided at its September 2010 meeting that a revised version of ED 179 should be re-exposed and comments sought from constituents on selected proposals in the document. At this stage, it is anticipated that the revised version of ED 179 will be issued in December 2010. The AASB will be encouraging all of the constituents that provided comments on ED 179 to comment on the revised proposals.

During its April 2010 meeting, the AASB decided to retain the proposals in paragraph AG54 of ED 179, which specifies the minimum disclosures a superannuation plan or approved deposit fund would need to make to provide users with a basis for understanding the nature and amount of expenses incurred by the entity. Accordingly, the AASB has agreed that, under the replacement Standard for AAS 25 *Financial Reporting by Superannuation Plans*, a plan or fund would, for instance, disclose administration expenses separately from other expenses incurred by the entity, such as investment expenses, trustee fees and reimbursements, and advertising and sponsorship expenses.

It is relevant to note that the level of disclosures proposed in paragraph AG54 of ED 179 exceeds the level of disclosures currently required of other investment-type entities under either Australian Accounting Standards or International Financial Reporting Standards (IFRS).

The AASB appreciates that a member of a superannuation plan needs to have an understanding of the types and levels of fees they would be charged to make informed decisions about their superannuation entitlements. However, the AASB is not convinced that general purpose financial statements are an effective means of communicating some types of member-specific information, particularly information in relation to the source and level of fees charged to individual members or groups of members. In addition, the AASB is concerned that requiring superannuation entities to disclose information in relation to the

types of fees you note in your letter would impose significant preparation and audit costs on some superannuation entities, and that this type of information might be more cost-effectively provided to members through other means, such as member reports or member benefit statements.

As I noted previously, the AASB intends to publish a revised version of ED 179 in the near future and will seek comment from constituents on the amended proposals, including the matters raised in your letter. In the meantime, I would be pleased to discuss the matters raised in your letter further with you or other representatives of the AIST. To this end, I have asked Dean Ardern, the AASB Project Manager responsible for ED 179, to make the appropriate arrangements.

If you have any queries regarding any matters in this letter, please contact me or Dean Ardern (9617 7621 or dardern@aab.gov.au).

Yours sincerely,

A handwritten signature in black ink that reads "K.M. Stevenson". The signature is written in a cursive style with a large, sweeping "S" at the end.

Kevin M. Stevenson
Chairman and CEO

18 October 2010

Mr Dean Arden
Project Manager
Australian Accounting Standards Board
Level 7, 600 Bourke Street
MELBOURNE VIC 3000

Dear Mr Arden,

AASB EXPOSURE DRAFT ED 179 SUPERANNUATION PLANS & APPROVED DEPOSIT FUNDS

AIST attended the superannuation workshop on 5 August at PricewaterhouseCoopers to discuss the proposed accounting standard for superannuation funds, and intends to continue to participate in this process.

I understand that AASB has received various submissions on ED 179, and is planning to finalise the new accounting standard for superannuation funds within the next six months.

We believe a meaningful level of fee disclosure is included in the proposed changes to fund reporting requirements, and encourage AASB to include fee measurement and disclosure in ED179.

Specifically, AIST seeks the mandatory audit of investment management fee disclosure components. It is our view that the standard should contain measures to address:

- Separation of investment and operational costs;
- Disclosure of hidden fees;
- Disclosure of the impact of performance fees.

To facilitate the audit process, we suggest that these disclosures be included in the annual financial statements, as well as the inclusion of MER information in the annual trustee report to members.

AIST seeks the opportunity to discuss this proposal with you, with a view to also discussing these issues with AIST members, and other interested parties in order to provide feedback to the AASB.

Yours sincerely,



Fiona Reynolds
Chief Executive Officer
Australian Institute of Superannuation Trustees