

**This Agenda paper discusses:**

- (a) the potential implications of a superannuation plan or approved deposit fund applying the principles and requirements in AASB 8 *Operating Segments* to provide disaggregated information;**
- (b) how the principles and requirements in AASB 8 might be applied to a plan or fund under a replacement Standard for AAS 25 *Financial Reporting by Superannuation Plans*; and**
- (c) the types of disaggregated financial disclosures that a plan might provide under a revised set of segregated financial disclosure proposals**

## Background

1. Paragraphs 36 and 40 of ED 179 *Superannuation Plans and Approved Deposit Funds* propose that:

“A superannuation plan or approved deposit fund shall disclose information that provides users with a basis for understanding how the plan or fund arranges and manages assets attributable to different groups of members, and the related obligations to those members.”

“Where a superannuation plan or approved deposit fund manages its assets on a segregated basis, the plan or fund shall disclose information that provides users with a basis for understanding:

- (a) the type and nature of the assets within each segregated group of assets;
- (b) the financial performance and financial position of each segregated group of assets; and
- (c) the significant financial risks to which each segregated group of assets is exposed when the levels of such risk differ materially from the levels of the corresponding risks at the entity level.”

2. To assist preparers, auditors and users of the financial statements of a superannuation plan or approved deposit fund (ADF), paragraphs 37, 38 and AG77-AG88 of ED 179 provide guidance in relation to paragraphs 36 and 40 of ED 179. Appendix A to this Agenda paper provides the full text of these paragraphs. Appendix A also includes paragraphs BC121-BC125 from the Basis for Conclusions to ED 179, which explain the Board’s reasoning in relation to the segregated financial disclosure proposals.
3. Thirteen of the respondents to ED 179 commented on the segregated financial disclosure proposals. Five of these respondents expressed disagreement with the proposals whereas three respondents expressed agreement. The remaining five respondents expressed neither agreement nor disagreement but recommended amendments to the proposals.
4. All of the respondents identified practical difficulties which they considered to be significant and would inhibit the disclosure of useful information to users. The main difficulties identified by respondents were:
  - (a) identifying segregated groups of assets.

Two respondents noted that trustees generally manage members’ benefits on a segregated basis but usually pool assets for efficiency and administrative purposes. Accordingly, very few funds would provide meaningful information if segregating groups of assets was the main criterion for disclosure.

In addition, two respondents noted that, even though paragraph AG81 of Appendix B to ED 179 suggests that a plan would not generally consider different investment options as segregated groups of assets, the following relatively common situations may be regarded as managing assets on a segregated basis:

- (i) the trustee adjusts the actual allocation between different asset classes within a particular investment option to match the target allocation following movements in investment markets; and
- (ii) the trustee adjusts the actual allocation of assets between investment options to match the obligations to members.

The respondents noted that, in both of these cases [(i) and (ii) above], management would have had to evaluate separate asset and obligation information for the purpose of allocating resources and assessing performance. Accordingly, requiring superannuation entities to make additional disclosures in such circumstances would be arguably inappropriate and potentially onerous.

- (b) applying the proposals to master trusts and multi-employer sponsored plans.

Four respondents expressed concerns about a master trust or multi-employer sponsored plan being required to provide separate financial disclosures for each sub-plan. The respondents noted that some master trusts and multi-employer sponsored plans have in excess of 100 sub-plans. Accordingly, the proposals would probably impose significant preparation and auditing costs on these entities and make their financial statements excessively long. In addition, if investment options were also to be considered segregated groups of assets, the disclosure proposals would be even more onerous; and

- (c) avoiding duplication, additional costs and confusion by aligning the proposed disclosures with proposed APRA requirements.

One respondent noted that APRA is proposing that plans provide the regulator with additional information regarding their sub-plans. However, unlike the proposals in ED 179, APRA's definition of a sub-plan is linked to identifiable groups of members and their benefits.

- 5. Respondents recommended a number of ways in which the proposed disclosure principles and associated guidance could be amended to mitigate the significant practical difficulties identified, including:
  - (a) segmentation based on a plan's membership groups;
  - (b) greater reliance on the principles in AASB 8 *Operating Segments* to provide trustees with more flexibility and enable them to provide disaggregated information that reflects the manner in which they manage their plans or ADFs; and/or
  - (c) align the proposed financial disclosure principles with proposed APRA prudential reporting requirements. (It is relevant to note that APRA has not yet formally recommenced its update of its superannuation statistical collections and publications. At its February 2010 meeting, the Board decided not to await the outcomes from APRA's deliberations on sub-plan reporting before deliberating on a revised set of segmented financial disclosure proposals.)
- 6. Five of the respondents expressed disagreement with the proposal to disclose information in relation to segregated groups of assets, primarily because they did not consider that the enhanced disclosures could be justified on cost-benefit grounds. In particular, these respondents noted that segment-type information is currently available from other sources, such as product disclosure statements and member

statements. Several of these respondents recommended that the financial statements of a plan or ADF explain that more detailed information on sub-plans may be available from the trustee of the plan.

7. In light of these comments, the Board decided at its September 2010 meeting that the replacement Standard for AAS 25 *Financial Reporting by Superannuation Plans* should require a plan or ADF to provide disaggregated financial disclosures in accordance with the principles and requirements in AASB 8. In addition, the Board decided to consider whether superannuation-specific guidance might be necessary to facilitate a plan or ADF applying the principles and requirements in AASB 8. To this end, the Board directed staff to develop example disclosures for a plan based on the principles and requirements in AASB 8 for the Board's consideration at a future meeting. Accordingly, the purpose of this Agenda paper is to:
  - (a) consider the potential implications of a plan or ADF applying the principles and requirements in AASB 8 to provide disaggregated information;
  - (b) how the principles and requirements in AASB 8 might be applied to a plan or ADF under the replacement Standard for AAS 25; and
  - (c) the types of disclosures that a plan might provide under a revised set of segregated financial disclosure proposals.

**The potential implications of a superannuation entity applying the principles and requirements in AASB 8**

8. To assist staff in better understanding the potential implications of a superannuation entity applying the principles and requirements in AASB 8, staff held discussions with constituents involved in managing a master trust, a retail (defined contribution) plan and a 'hybrid' plan (defined contribution and defined benefit). These discussions focussed on:
  - (a) how the principles and requirements in AASB 8 might be applied in a superannuation context; and
  - (b) the types of information that might be available and evaluated regularly by the chief operating decision maker of a superannuation entity for the purpose of managing the entity.
9. Table A below provides a summary of staff views on the potential implications of applying the key principles and requirements in AASB 8 to facilitate the provision of disaggregated disclosures in a superannuation context.

**Table A – Staff views on the potential implications of a superannuation entity applying the key principles and requirements in AASB 8**

AASB 8 paragraph number	AASB 8 principle/requirement	Staff comments	Staff view
1	<p><b>Core Principle</b></p> <p>An entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.</p>	<p>While the ‘business activities’ of superannuation entities may be generally considered to be the provision of retirement benefits to members, superannuation plans with defined benefit members are arguably exposed to some risks that plans with only defined contribution members and ADFs are not, such as non-performance risk and/or economic dependency risk in relation to employer sponsors.</p> <p>Most, if not all, superannuation entities are exposed to a range of economic environments through the types of investments they hold.</p>	<p><b>Relevant</b> to superannuation entities and <b>should apply</b> under the replacement Standard for AAS 25.</p>
5	<p><b>Operating Segments</b></p> <p>An <i>operating segment</i> is a component of an entity:</p> <p>(a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);</p> <p>(b) whose operating results are regularly reviewed by the entity’s chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and</p> <p>(c) for which discrete financial information is available.</p> <p>An operating segment may engage in business activities for which it has yet to earn revenues, for example, start-up operations may be operating segments before earning revenues.</p>	<p>Under the principles in paragraph 5, a superannuation entity that:</p> <p>(a) manages the assets attributable to different groups of members and/or the related obligations to those members on a ‘segregated’ basis; and</p> <p>(b) monitors the operating results of the ‘segregated’ groups of assets and/or member obligations regularly;</p> <p>may have more than one operating segment as defined in AASB 8.</p> <p>From discussions with constituents, staff understand that:</p> <p>(a) most, if not all, superannuation entities currently manage their assets on a pooled</p>	<p><b>Relevant</b> to superannuation entities and <b>should apply</b> under the replacement Standard for AAS 25.</p>

AASB 8 paragraph number	AASB 8 principle/requirement	Staff comments	Staff view
		<p>basis;</p> <p>(b) many superannuation entities, particularly those with defined contribution members only, currently manage their obligations for members' benefits as a single liability. Accordingly, most chief operating decision makers of superannuation entities do not review discrete financial information about particular 'sub-groups' of members; and</p> <p>(c) the information currently provided to the chief operating decision makers of most superannuation entities is substantially less detailed than the information anticipated by paragraph 23 of AASB 8 (see discussion below).</p> <p>In addition, if a superannuation plan were to manage its obligations to a group of members to which it provides member investment choice, the group of members (and any related assets) would arguably not meet the definition of an operating segment in AASB 8 because the members (rather than the entity's chief operating decision maker) would arguably be considered to be responsible for making resource allocation decisions in respect of the segment.</p> <p>However, staff also note that, subject to the outcomes from the recommendations made by the Cooper Review, particularly the proposal for plans to provide a 'MySuper' product, defined contribution plans may be</p>	

AASB 8 paragraph number	AASB 8 principle/requirement	Staff comments	Staff view
		required to operate two (or more) distinct segments – a ‘MySuper’ segment and one (or more) ‘choice’ segments.	
11	<p><b>Reportable Segments</b></p> <p>An entity shall report separately information about each operating segment that:</p> <p>(a) has been identified in accordance with paragraphs 5-10 or results from aggregating two or more of those segments in accordance with paragraph 12; and</p> <p>(b) exceeds the quantitative thresholds in paragraph 13.</p> <p>Paragraphs 14-19 specify other situations in which separate information about an operating segment shall be reported.</p>	See staff comments in relation to paragraph 13 below.	<p>Paragraph 11(a) cross-references to paragraphs 5-10, which are <b>relevant</b> to superannuation entities. Accordingly, paragraph 11(a) <b>should apply</b> under the replacement Standard for AAS 25.</p> <p>Paragraph 11(b) cross-references to paragraph 13, which staff consider <b>would not</b> facilitate plans identifying reportable segments unless modified (see discussion below). Accordingly, staff consider that paragraph 11(b) <b>should apply</b> to superannuation entities under the replacement Standard for AAS 25, subject to the modifications proposed by staff in relation to paragraph 13 (see below).</p>
12	<p><b>Aggregation criteria</b></p> <p>Operating segments often exhibit similar long-term financial performance if they have similar economic characteristics. For example, similar long-term average gross margins for two operating segments would be expected if their economic characteristics were similar. Two or more operating segments may be aggregated into a single operating segment if aggregation is consistent with the core principle of this Standard, the segments have similar economic characteristics, and the segments are similar in each of the following respects:</p> <p>(a) the nature of the products and services;</p>	Entities involved in, for instance, manufacturing or extractive industries are more likely to have readily identifiable ‘production processes’ [paragraph 12(c)] than superannuation entities. However, other investment-type entities that are similar in many respects to defined contribution superannuation plans are currently applying paragraph 12 of AASB 8. Nevertheless, the phrase ‘production processes’ could be subject to interpretation in a superannuation context.	<p><b>Relevant</b> to superannuation entities and <b>should apply</b> under the replacement Standard for AAS 25.</p> <p>In addition, staff consider that the replacement Standard for AAS 25 should clarify that, in a superannuation context, the term ‘production processes’ should be interpreted to mean the manner in which a plan or ADF develops and/or administers the retirement benefits it</p>

AASB 8 paragraph number	AASB 8 principle/requirement	Staff comments	Staff view
	<p>(b) the nature of the production processes; (c) the type or class of customer for their products and services; (d) the methods used to distribute their products or provide their services; and (e) if applicable, the nature of the regulatory environment, for example, banking, insurance or public utilities.</p>		<p>provides to its members.</p>
<p>13</p>	<p><b>Quantitative thresholds</b></p> <p>An entity shall report separately information about an operating segment that meets any of the following quantitative thresholds:</p> <p>(a) its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10 per cent or more of the combined revenue, internal and external, of all operating segments;</p> <p>(b) the absolute amount of its reported profit or loss is 10 per cent or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss;</p> <p>(c) its assets are 10 per cent or more of the combined assets of all operating segments.</p> <p>Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if management believes that information about the segment would be useful to users of the financial statements.</p>	<p>Paragraph 13 assumes that:</p> <p>(a) operating segments will generally comprise assets and generate revenues and/or expenses; and (b) discrete financial information regarding the assets, revenues and/or expenses attributable to each segment is available to the chief operating decision maker.</p> <p>However, from discussions with constituents, staff understand that:</p> <p>(a) most, if not all, superannuation entities pool the contributions attributable to different members for investment purposes and manage the assets as a single pool. Accordingly, segmentation criteria based on assets and/or revenues would not be consistent with the way in which most, if not all, chief operating decision makers segment their superannuation entities for management purposes; (b) segmentation criteria based on liabilities (in particular, obligations for members' benefits) is consistent with the way in which some chief operating decision</p>	<p>The principles in paragraph 13 <b>would not</b> facilitate plans identifying reportable segments. Accordingly, staff consider that the replacement Standard for AAS 25 should require a plan or ADF to apply a modified version of the principles in paragraph 13.</p> <p>Under the modified quantitative thresholds, a superannuation entity would disclose separately information about a segment that meets any of the criteria in paragraph 13 or has liabilities that are 10% or more of the combined liabilities of all segments.</p>

AASB 8 paragraph number	AASB 8 principle/requirement	Staff comments	Staff view
		<p>makers segment their superannuation entities for management purposes; and</p> <p>(c) the types of discrete financial information used by many operating decision makers use to manage their superannuation entities tends to be limited to:</p> <ul style="list-style-type: none"> <li>(i) obligations for vested benefits (defined contribution plans, ADFs and some defined benefit plans);</li> <li>(ii) estimated obligations for accrued benefits (some defined benefit plans);</li> <li>(iii) estimated fair value of assets;</li> <li>(iv) contributions received; and</li> <li>(v) benefits paid.</li> </ul>	
14	<p>An entity may combine information about operating segments that do not meet the quantitative thresholds with information about other operating segments that do not meet the quantitative thresholds to produce a reportable segment only if the operating segments have similar economic characteristics and share a majority of the aggregation criteria listed in paragraph 12.</p>	<p>No specific comments.</p>	<p><b>Relevant</b> to superannuation entities and <b>should apply</b> under the replacement Standard for AAS 25.</p>
15	<p>If the total external revenue reported by operating segments constitutes less than 75 per cent of the entity's revenue, additional operating segments shall be identified as reportable segments (even if they do not meet the criteria in paragraph 13) until at least 75 per cent of the entity's revenue is included in reportable segments.</p>	<p>No specific comments.</p>	<p><b>Relevant</b> to superannuation entities and <b>should apply</b> under the replacement Standard for AAS 25.</p>
16	<p>Information about other business activities and operating segments that are not reportable shall be combined and disclosed in an 'all other segments' category separately from other reconciling items in the reconciliations required by paragraph 28. The sources of the revenue included in the 'all other</p>	<p>See staff comments below regarding the disclosure of revenues attributable to segments of a superannuation entity.</p>	<p><b>Relevant</b> to superannuation entities except for the last sentence. Accordingly, only the first sentence in paragraph 16 <b>should apply</b> under the replacement Standard for</p>

AASB 8 paragraph number	AASB 8 principle/requirement	Staff comments	Staff view
	segments' category shall be described.		AAS 25.  The exclusion of the second sentence of paragraph 16 under the replacement Standard for AAS 25 would be dealt in the application guidance to the Standard.
17	If management judges that an operating segment identified as a reportable segment in the immediately preceding period is of continuing significance, information about that segment shall continue to be reported separately in the current period even if it no longer meets the criteria for reportability in paragraph 13.	No specific comments.	<b>Relevant</b> to superannuation entities and <b>should apply</b> under the replacement Standard for AAS 25.
18	If an operating segment is identified as a reportable segment in the current period in accordance with the quantitative thresholds, segment data for a prior period presented for comparative purposes shall be restated to reflect the newly reportable segment as a separate segment, even if that segment did not satisfy the criteria for reportability in paragraph 13 in the prior period, unless the necessary information is not available and the cost to develop it would be excessive.	No specific comments.	<b>Relevant</b> to superannuation entities and <b>should apply</b> under the replacement Standard for AAS 25.
19	There may be a practical limit to the number of reportable segments that an entity separately discloses beyond which segment information may become too detailed. Although no precise limit has been determined, as the number of segments that are reportable in accordance with paragraphs 13-18 increases above ten, the entity should consider whether a practical limit has been reached.	The requirements in this paragraph could address a number of the concerns expressed in responses to ED 179 regarding master trust or multi-employer sponsored plans being required to provide disaggregated financial disclosures [see paragraph 4(b) of this Agenda paper].  In discussions with staff, one representative of a master trust provider noted that 'tailored' corporate sub-plans (usually large plans/employer sponsors) of most master trusts have their own legal documents, benefit designs and insurance arrangements.	<b>Relevant</b> to superannuation entities and <b>should apply</b> under the replacement Standard for AAS 25.

AASB 8 paragraph number	AASB 8 principle/requirement	Staff comments	Staff view
		<p>Also, in some cases, the tailored sub-plans have their own investment arrangements. Accordingly, the constituent suggested that, under the principles in AASB 8, a corporate superannuation master trust comprising multiple (in excess of, say, 100 sub-plans) might be sub-divided into the following segments:</p> <ul style="list-style-type: none"> <li>(a) tailored corporate sub-plans;</li> <li>(b) non-tailored corporate sub-plans;</li> <li>(c) personal super; and</li> <li>(d) allocated pensions.</li> </ul> <p>However, the constituent also noted that such segmentation may not provide users with useful information for decision making. The constituent suggested that disclosing aggregated information in relation to, for instance, corporate tailored sub-plans is unlikely to provide the members of any particular tailored corporate sub-plan with information regarding the financial performance or solvency of the sub-plan.</p> <p>While staff acknowledge the constituents concerns, we note that the purpose of the types of disaggregated disclosures provided under AASB 8 is not necessarily to provide general purpose users with information in relation to the:</p> <ul style="list-style-type: none"> <li>(a) specific risks to which they are exposed to through their interest in the entity, or</li> <li>(b) returns or benefits they are likely to receive from the entity.</li> </ul>	

AASB 8 paragraph number	AASB 8 principle/requirement	Staff comments	Staff view
		<p>In the context of financial reporting, disaggregated information provides users with a basis for understanding the risks and returns of a diversified or multi-faceted entity as a whole as affected by its component parts, particularly when users are unlikely to gain such an understanding from aggregated financial information. Disaggregated financial information also provides users with a basis for understanding how the sources of risks and returns of an entity are organised and managed by the entity's chief operating decision maker.</p> <p>Staff also acknowledge that individual sub-plans of a master trust or multi-employer sponsored plan are generally protected from the actuarial risks attributable to other sub-plans of the trust or plan by the legal arrangements underlying the trust or plan arrangements. Nevertheless, as demonstrated during the Global Financial Crisis, a member of a superannuation entity can be affected by factors that they are not directly exposed to through their interest in the entity but impact on the entity as a whole. For instance, some superannuation entities 'froze' or limited all benefit payments due to difficulties in reliably measuring some assets, notwithstanding that some benefits were payable to members who had no exposures to the specific assets.</p>	

AASB 8 paragraph number	AASB 8 principle/requirement	Staff comments	Staff view
		<p>In addition, staff note that disaggregated information, particularly information in relation to the revenues and expenses attributable to particular groups of members, may be useful for individual members of a superannuation entity for understanding the nature and extent of any cross-subsidisation between members and/or groups of members. As noted in relation to paragraph 13 above, few chief operating decision makers utilise detailed revenue and expense information to manage their superannuation entities. However, this may change in the future if the Cooper Review's recommendation that all plans offer a 'MySuper' product. One of the primary objectives of the 'MySuper' product is to prevent 'default' members cross-subsidising other members of the plan.</p>	
20	<p><b>Disclosure</b></p> <p>An entity shall disclose information that enables users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.</p>	<p>Refer to staffs' comments in relation to paragraph 1 above.</p>	<p><b>Relevant</b> to superannuation entities and <b>should apply</b> under the replacement Standard for AAS 25.</p>
21	<p>To give effect to the principle in paragraph 20, an entity shall disclose the following for each period for which a statement of comprehensive income is presented:</p> <ul style="list-style-type: none"> <li>(a) general information as described in paragraph 22;</li> <li>(b) information about reported segment profit or loss, including specified revenues and expenses included in reported segment</li> </ul>	<p>Refer to staffs' specific comments below.</p>	<p>The requirements underlying paragraph 21(a) are arguably <b>relevant</b> to superannuation entities and <b>should apply</b> under the replacement Standard for AAS 25. However, the requirements</p>

AASB 8 paragraph number	AASB 8 principle/requirement	Staff comments	Staff view
	<p>profit or loss, segment assets, segment liabilities and the basis of measurement, as described in paragraphs 23-27; and</p> <p>(c) reconciliations of the totals of segment revenues, reported segment profit or loss, segment assets, segment liabilities and other material segment items to corresponding entity amounts as described in paragraph 28.</p> <p>Reconciliations of the amounts in the statement of financial position for reportable segments to the amounts in the entity's statement of financial position are required for each date at which a statement of financial position is presented. Information for prior periods shall be restated as described in paragraphs 29 and 30.</p>		<p>underlying paragraphs 21(b) and 21(c) <b>are arguably not relevant</b> to superannuation entities (as discussed below).</p> <p>Accordingly, staff consider that paragraphs 21(b) and 21(c) (and the related requirements) <b>should not apply</b> to a superannuation entity under the replacement Standard for AAS 25. <b>Instead</b>, a superannuation entity should be required to provide disaggregated disclosures consistent with the information regularly reviewed by the entity's chief operating decision maker to manage the entity.</p>
22	<p><b>General information</b></p> <p>An entity shall disclose the following general information:</p> <p>(a) factors used to identify the entity's reportable segments, including the basis of organisation (for example, whether management has chosen to organise the entity around differences in products and services, geographical areas, regulatory environments, or a combination of factors and whether operating segments have been aggregated); and</p> <p>(b) types of products and services from which each reportable segment derives its revenues.</p>	<p>As discussed in relation to paragraph 13 above, discrete financial information in relation to the revenues and/or expenses attributable to groups of members is not generally used by chief operating decision makers to manage their superannuation entities.</p>	<p>Paragraph 22(a) <b>would be relevant</b> to superannuation entities whereas paragraph 22(b) <b>would not be relevant</b>. Accordingly, only paragraph 22(a) <b>should apply</b> under the replacement Standard for AAS 25.</p> <p>The exclusion of the requirements in paragraph 22(b) under the replacement Standard for AAS 25 would be dealt in the application guidance to the Standard.</p>

AASB 8 paragraph number	AASB 8 principle/requirement	Staff comments	Staff view
23	<p><b>Information about profit or loss, assets and liabilities</b></p> <p>An entity shall report a measure of profit or loss for each reportable segment. An entity shall report a measure of total assets and liabilities for each reportable segment if such amounts are regularly provided to the chief operating decision maker. An entity shall also disclose the following about each reportable segment if the specified amounts are included in the measure of segment profit or loss reviewed by the chief operating decision maker, or are otherwise regularly provided to the chief operating decision maker, even if not included in that measure of segment profit or loss:</p> <ul style="list-style-type: none"> <li>(a) revenues from external customers;</li> <li>(b) revenues from transactions with other operating segments of the same entity;</li> <li>(c) interest revenue;</li> <li>(d) interest expense;</li> <li>(e) depreciation and amortisation;</li> <li>(f) material items of income and expense disclosed in accordance with paragraph 97 of AASB 101 <i>Presentation of Financial Statements</i> (as revised in 2007);</li> <li>(g) the entity's interest in the profit or loss of associates and joint ventures accounted for by the equity method;</li> <li>(h) income tax expense or income; and</li> <li>(i) material non-cash items other than depreciation and</li> <li>(j) amortisation.\</li> </ul> <p>An entity shall report interest revenue separately from interest expense for each reportable segment unless a majority of the segment's revenues are from interest and the chief operating decision maker relies primarily on net interest revenue to assess the performance of the segment and make decisions about resources to be allocated to the segment. In that situation, an entity may report that segment's interest revenue net of its interest expense and disclose that it has done so.</p>	<p>Paragraph 23 requires an entity to disclose a detailed measure of profit or loss in respect of each reportable segment. However, as noted above, few, if any, chief operating decision makers of superannuation entities manage their entities on the basis of the revenues and expenses attributable to different groups of members.</p>	<p>The requirements in paragraph 23 would generally <b>not be relevant</b> to superannuation entities. Accordingly, staff consider that paragraph 23 <b>should not apply</b> to a superannuation entity under the replacement Standard for AAS 25.</p> <p><b>Instead</b>, a superannuation entity should be required to provide disaggregated disclosures consistent with the information regularly reviewed by the entity's chief operating decision maker to manage the entity.</p>

AASB 8 paragraph number	AASB 8 principle/requirement	Staff comments	Staff view
24	<p>An entity shall disclose the following about each reportable segment if the specified amounts are included in the measure of segment assets reviewed by the chief operating decision maker or are otherwise regularly provided to the chief operating decision maker, even if not included in the measure of segment assets:</p> <p>(a) the amount of investment in associates and joint ventures accounted for by the equity method; and</p> <p>(b) the amounts of additions to non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets (see AASB 119 <i>Employee Benefits</i> paragraphs 54- 58) and rights arising under insurance contracts.</p>	<p>Under the replacement Standard for AAS 25, a superannuation entity is not permitted to account for investments in associates or joint ventures using the equity method. In addition, superannuation entities generally hold relatively few, if any, non-current assets that are not financial instruments. Accordingly, paragraph 24 would generally not be relevant or applicable to superannuation entities if they were required to apply the principles and requirements of AASB 8.</p>	<p>The requirements in paragraph 24 <b>would not be relevant</b> under the replacement Standard for AAS 25. Accordingly, staff consider that the requirements in paragraph 24 <b>should not apply</b> under the replacement Standard for AAS 25.</p> <p>The exclusion of the requirements in paragraph 24 under the replacement Standard for AAS 26 would be dealt in the application guidance to the Standard.</p>
25	<p><b>Measurement</b></p> <p>The amount of each segment item reported shall be the measure reported to the chief operating decision maker for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing an entity's financial statements and allocations of revenues, expenses, and gains or losses shall be included in determining reported segment profit or loss only if they are included in the measure of the segment's profit or loss that is used by the chief operating decision maker. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by the chief operating decision maker shall be reported for that segment. If amounts are allocated to reported segment profit or loss, assets or liabilities, those amounts shall be allocated on a reasonable basis.</p>	<p>In discussions with staff, constituents noted that the chief operating decision makers of some superannuation entities make use of the following types of information to manage their entities:</p> <p>(a) estimates of the obligations for accrued benefits of some groups of defined benefit members; and</p> <p>(b) estimates of the fair value of assets attributable to some groups of defined benefit members.</p>	<p><b>Relevant</b> to superannuation entities and <b>should apply</b> under the replacement Standard for AAS 25.</p>
26	<p>If the chief operating decision maker uses only one measure of an operating segment's profit or loss, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment profit or loss, assets and liabilities</p>	<p>No specific comments.</p>	<p><b>Relevant</b> to superannuation entities and <b>should apply</b> under the replacement Standard for AAS 25.</p>

AASB 8 paragraph number	AASB 8 principle/requirement	Staff comments	Staff view
	<p>shall be reported at those measures. If the chief operating decision maker uses more than one measure of an operating segment's profit or loss, the segment's assets or the segment's liabilities, the reported measures shall be those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.</p>		
27	<p>An entity shall provide an explanation of the measurements of segment profit or loss, segment assets and segment liabilities for each reportable segment. At a minimum, an entity shall disclose the following:</p> <ul style="list-style-type: none"> <li>(a) the basis of accounting for any transactions between reportable segments;</li> <li>(b) the nature of any differences between the measurements of the reportable segments' profits or losses and the entity's profit or loss before income tax expense or income and discontinued operations (if not apparent from the reconciliations described in paragraph 28). Those differences could include accounting policies and policies for allocation of centrally incurred costs that are necessary for an understanding of the reported segment information;</li> <li>(c) the nature of any differences between the measurements of the reportable segments' assets and the entity's assets (if not apparent from the reconciliations described in paragraph 28). Those differences could include accounting policies and policies for allocation of jointly used assets that are necessary for an understanding of the reported segment information;</li> <li>(d) the nature of any differences between the measurements of the reportable segments' liabilities and the entity's liabilities (if not apparent from the reconciliations described in paragraph 28). Those differences could include accounting policies and policies for allocation of jointly utilised liabilities that are necessary for an understanding of the reported segment information;</li> <li>(e) the nature of any changes from prior periods in the measurement</li> </ul>	<p>As noted in relation to paragraphs 13 and 23 above, few, if any, chief operating decision makers of superannuation entities manage their entities on the basis of the revenues and expenses attributable to different groups of members.</p>	<p><b>Potentially relevant</b> to superannuation entities, subject to the type of information regularly reviewed by the entity's chief operating decision maker to manage the entity. Accordingly, staff consider that a superannuation entity should <b>apply</b> the requirements in paragraph 27 to the extent that they are relevant.</p> <p>Application of the requirements in paragraph 27 under the replacement Standard for AAS 25 would be dealt in the application guidance to the Standard.</p>

AASB 8 paragraph number	AASB 8 principle/requirement	Staff comments	Staff view
	<p>methods used to determine reported segment profit or loss and the effect, if any, of those changes on the measure of segment profit or loss; and</p> <p>(f) the nature and effect of any asymmetrical allocations to reportable segments. For example, an entity might allocate depreciation expense to a segment without allocating the related depreciable assets to that segment.</p>		
28	<p><b>Reconciliations</b></p> <p>An entity shall provide reconciliations of all of the following:</p> <p>(a) the total of the reportable segments' revenues to the entity's revenue;</p> <p>(b) the total of the reportable segments' measures of profit or loss to the entity's profit or loss before tax expense (tax income) and discontinued operations. However, if an entity allocates to reportable segments items such as tax expense (tax income), the entity may reconcile the total of the segments' measures of profit or loss to the entity's profit or loss after those items;</p> <p>(c) the total of the reportable segments' assets to the entity's assets;</p> <p>(d) the total of the reportable segments' liabilities to the entity's liabilities if segment liabilities are reported in accordance with paragraph 23; and</p> <p>(e) the total of the reportable segments' amounts for every other material item of information disclosed to the corresponding amount for the entity.</p> <p>All material reconciling items shall be separately identified and described. For example, the amount of each material adjustment needed to reconcile reportable segment profit or loss to the entity's profit or loss arising from different accounting policies shall be separately identified and described.</p>	<p>See discussion in relation to paragraphs 13 and 23 above.</p>	<p>Several of the requirements in paragraph 28(a) and 28(b) <b>would not be relevant</b> under the replacement Standard for AAS 25. Accordingly, staff consider that the requirements in paragraph 28 <b>should not apply</b> under the replacement Standard for AAS 25.</p> <p><b>Instead</b>, a superannuation entity should be required to provide reconciliations of the disaggregated disclosures with the corresponding amounts at the entity level.</p>

AASB 8 paragraph number	AASB 8 principle/requirement	Staff comments	Staff view
29	<p><b>Restatement of previously reported information</b></p> <p>If an entity changes the structure of its internal organisation in a manner that causes the composition of its reportable segments to change, the corresponding information for earlier periods, including interim periods, shall be restated unless the information is not available and the cost to develop it would be excessive. The determination of whether the information is not available and the cost to develop it would be excessive shall be made for each individual item of disclosure. Following a change in the composition of its reportable segments, an entity shall disclose whether it has restated the corresponding items of segment information for earlier periods.</p>	No specific comments.	<b>Relevant</b> to superannuation entities and <b>should apply</b> under the replacement Standard for AAS 25.
30	<p>If an entity has changed the structure of its internal organisation in a manner that causes the composition of its reportable segments to change and if segment information for earlier periods, including interim periods, is not restated to reflect the change, the entity shall disclose in the year in which the change occurs segment information for the current period on both the old basis and the new basis of segmentation, unless the necessary information is not available and the cost to develop it would be excessive.</p>	No specific comments.	<b>Relevant</b> to superannuation entities and <b>should apply</b> under the replacement Standard for AAS 25.
31	<p><b>Entity-wide Disclosures</b></p> <p>Paragraphs 32-34 apply to all entities subject to this Standard including those entities that have a single reportable segment. Some entities' business activities are not organised on the basis of differences in related products and services or differences in geographical areas of operations. Such an entity's reportable segments may report revenues from a broad range of essentially different products and services, or more than one of its reportable segments may provide essentially the same products and services. Similarly, an entity's reportable segments may hold assets in different geographical areas and report revenues from customers in different geographical areas, or more than one of its reportable segments may operate in the</p>	See discussion below.	<p><b>Should not apply</b> to superannuation entities under the replacement Standard for AAS 25 for the reasons discussed below in relation to paragraphs 32-34.</p> <p>The exclusion of the requirements in paragraph 31 under the replacement Standard for AAS 26 would be dealt in the application guidance to the Standard.</p>

AASB 8 paragraph number	AASB 8 principle/requirement	Staff comments	Staff view
	same geographical area. Information required by paragraphs 32-34 shall be provided only if it is not provided as part of the reportable segment information required by this Standard.		
32	<p><b>Information about products and services</b></p> <p>An entity shall report the revenues from external customers for each product and service, or each group of similar products and services, unless the necessary information is not available and the cost to develop it would be excessive, in which case that fact shall be disclosed. The amounts of revenues reported shall be based on the financial information used to produce the entity's financial statements.</p>	<p>While superannuation entities are often regarded as not-for-profit entities, they levy their members' ('customers') accounts fees and charges ('revenues') to pay for the services they provide ('expenses').</p> <p>It is relevant to note that the Board decided the replacement Standard for AAS 25 should require a superannuation entity to provide detailed disclosures regarding its expenses. Accordingly, those defined contribution plans and ADFs that determine they have only one operating segment under the principles in AASB 8 would potentially be required to disclose ostensibly the same information twice as the fees and charges they levy their members' accounts will generally match the expenses incurred by the entity.</p>	<p><b>Should not apply</b> to superannuation entities under the replacement Standard for AAS 25 because it is unlikely to facilitate superannuation entities providing cost-beneficial information that is useful to users.</p> <p>The exclusion of the requirements in paragraph 32 under the replacement Standard for AAS 26 would be dealt in the application guidance to the Standard.</p>
33	<p><b>Information about geographical areas</b></p> <p>An entity shall report the following geographical information, unless the necessary information is not available and the cost to develop it would be excessive:</p> <p>(a) revenues from external customers (i) attributed to the entity's country of domicile and (ii) attributed to all foreign countries in total from which the entity derives revenues. If revenues from external customers attributed to an individual foreign country are material, those revenues shall be disclosed separately. An entity shall disclose the basis for attributing revenues from external customers to individual</p>	<p>While most members of Australian superannuation entities would be domiciled in Australia, it would be unduly onerous for superannuation entities to confirm the physical location of each of their members. 'Lost' members has been a feature of the superannuation industry in Australia for some time, and are the basis of recent proposals to allow trustees of superannuation entities and their agents to use tax file numbers to identify lost</p>	<p><b>Should not apply</b> to superannuation entities under the replacement Standard for AAS 25 because it is unlikely to facilitate superannuation entities providing cost-beneficial information that is useful to users.</p> <p>The exclusion of the requirements in paragraph 33 under the replacement Standard for AAS 26 would be dealt in the application guidance to the</p>

AASB 8 paragraph number	AASB 8 principle/requirement	Staff comments	Staff view
	<p>countries; and</p> <p>(b) non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts (i) located in the entity's country of domicile and (ii) located in all foreign countries in total in which the entity holds assets. If assets in an individual foreign country are material, those assets shall be disclosed separately.</p> <p>The amounts reported shall be based on the financial information that is used to produce the entity's financial statements. If the necessary information is not available and the cost to develop it would be excessive, that fact shall be disclosed. An entity may provide, in addition to the information required by this paragraph, subtotals of geographical information about groups of countries.</p>	<p>members and members with accounts across multiple entities (such as Recommendation 9.11 of the 'Cooper' Super System Review).</p> <p>Superannuation entities generally hold relatively few, if any, non-current assets that are not financial instruments.</p>	<p>Standard.</p>
34	<p><b>Information about major customers</b></p> <p>An entity shall provide information about the extent of its reliance on its major customers. If revenues from transactions with a single external customer amount to 10 per cent or more of an entity's revenues, the entity shall disclose that fact, the total amount of revenues from each such customer, and the identity of the segment or segments reporting the revenues. The entity need not disclose the identity of a major customer or the amount of revenues that each segment reports from that customer. For the purposes of this Standard, a group of entities known to a reporting entity to be under common control shall be considered a single customer. However, judgement is required to assess whether a government (including government agencies and similar bodies whether local, national or international) and entities known to the reporting entity to be under the control of that government are considered a single customer. In assessing this, the reporting entity shall consider the extent of economic integration between those entities.</p>	<p>Very few, if any, superannuation entities would receive 10% or more of their revenues (fees and charges) from a single member (customer).</p> <p>Some superannuation entities might consider some employers, particularly employer sponsors of defined benefit members, as customers. In addition, the levels of contributions paid by some employers in respect of their defined benefit members are likely to constitute 10% or more of the total contributions received by the employer sponsor's plan. However, it is relevant to note that:</p> <p>(a) under the replacement Standard for AAS 25, all contributions received by a plan would be treated as giving rise to liabilities of a plan; and</p> <p>(b) at its July 2010 meeting, the Board</p>	<p><b>Should not apply</b> to superannuation entities under the replacement Standard for AAS 25 because it is unlikely to facilitate superannuation entities providing cost-beneficial information that is useful to users.</p> <p>The exclusion of the requirements in paragraph 34 under the replacement Standard for AAS 26 would be dealt in the application guidance to the Standard.</p>

AASB 8 paragraph number	AASB 8 principle/requirement	Staff comments	Staff view
		<p>decided that the replacement Standard should require a plan with defined benefit members to provide qualitative disclosures in respect of the non-performance risk and/or economic dependency risk that the entity is exposed to arising from the employer sponsors of such members.</p>	

*Staff views*

Staff consider that the ‘through the eyes of management’ approach underlying the principles and requirements in AASB 8 has the potential to:

- (a) facilitate a superannuation entity providing useful information to users of its financial statements about:
  - (i) the risks and returns of the entity as a whole as affected by its component parts; and
  - (ii) how the sources of risks and returns of an entity are organised and managed by the entity’s chief operating decision maker; and
- (b) minimise the cost of providing disaggregated information because it requires an entity to use information that is generated for management’s use.

Accordingly, staff consider that the principles and requirements in AASB 8 should form the basis of disaggregated financial disclosures by plans and ADFs under the replacement Standard for AAS 25.

However, based on our findings and views as outlined in Table A of this Agenda paper, staff consider that the replacement Standard for AAS 25 should:

- (a) clarify that, in a superannuation context, the term ‘production process’ in paragraph 12 should be interpreted to mean the manner in which a plan or ADF develops and/or administers the benefits it provides to its members;
- (b) require a plan or ADF to apply a modified version of the quantitative thresholds in paragraphs 13-19 of AASB 8. Under the modified quantitative thresholds, a superannuation entity would:
  - (i) disclose separately information about a segment that meets any of the criteria in paragraph 13 or has **liabilities** that are 10% or more of the combined liabilities of all segments; and
  - (ii) identify additional segments (even if they do not meet the required quantitative thresholds for a superannuation entity) until at least 75% of the entity’s revenues, expenses, assets or **liabilities** are included in reportable segments;
- (c) not require a plan or ADF to provide the types of information specified in the second sentence of paragraph 16 or paragraphs 23, 24, 28 and 31-34 of AASB 8;
- (d) require a plan or ADF to provide disaggregated disclosures consistent with the information regularly reviewed by the entity’s chief operating decision maker to manage the entity; and
- (e) require a plan or ADF to provide reconciliations of the disaggregated disclosures with the corresponding amounts at the entity level.

## **APPENDIX A - Selected paragraphs from ED 179 *Superannuation Plans and Approved Deposit Funds***

### **Arrangement and Management of Assets**

- 36** A superannuation plan or approved deposit fund shall disclose information that provides users with a basis for understanding how the plan or fund arranges and manages assets attributable to different groups of members, and the related obligations to those members.
- 37 Superannuation plans and approved deposit funds can manage the assets attributable to different groups of members, and the related obligations to those members, in a number of different ways, including:
- (a) on a single fund (or ‘pooled’) basis, whereby all of the contributions attributable to different groups of members are pooled for investment purposes and individual, or groups of, assets are not notionally or actually attributable to particular members or groups of members; or
  - (b) on a ‘segregated’ basis, whereby the contributions attributable to different groups of members are invested separately and individual, or groups of, assets are at least notionally attributable to particular members or groups of members.
- 38 For a superannuation plan or approved deposit fund to be considered to be managing the assets attributable to different groups of members, and the related obligations to those members, on a ‘segregated’ basis, separate financial information in respect of the segregated groups of assets and related member obligations must be available and evaluated regularly by management of the plan or fund for the purpose of allocating resources and assessing performance. In these circumstances, a plan or fund would use the information reported to its management for decision-making purposes as the basis for determining the appropriate level of disaggregation with respect to disclosures about its assets and related member obligations, consistent with the ‘through the eyes of management’ approach applied under AASB 8 *Operating Segments* to operating segments. Paragraphs AG78 and AG80-AG81 of Appendix B to this Standard provide further guidance for determining the appropriate level of disaggregation with respect to disclosures about a plan’s or fund’s assets and related member obligations.
- 39 To meet the objective in paragraph 36, an entity discloses, as a minimum and as appropriate, the information specified in paragraph AG79 or AG82 of Appendix B to this Standard.

## **APPENDIX B – APPLICATION GUIDANCE**

...

### **Arrangement and Management of Assets**

- AG77 To comply with paragraph 36 and, when applicable, paragraph 40 of this Standard, a superannuation plan or approved deposit fund discloses information in accordance with paragraphs AG78-AG88 of this Appendix, as appropriate, in a manner consistent with the ‘through the eyes of management’ approach applied under AASB 8 *Operating Segments* to operating segments. Under AASB 8, an entity discloses disaggregated information that corresponds to the information provided to the entity’s chief operating decision maker for the purpose of managing the entity.
- AG78 A superannuation plan or approved deposit fund might arrange and manage its assets and obligations to particular groups of members on a single fund (or ‘pooled’) basis, whereby all of the contributions or transfers the plan or fund receives are pooled for investment purposes and individual or groups of assets are not notionally or actually attributable to particular members or groups of members. In these circumstances, the plan’s or fund’s chief operating decision maker would be expected to assess the entity’s performance and allocate resources based on financial information for the entity’s assets as a whole.
- AG79 To comply with paragraph 36 of this Standard, a superannuation plan or approved deposit fund that arranges and manages its assets and obligations to members on a single fund (or ‘pooled’) basis would disclose, as a minimum, that the assets of the plan or fund are managed as a single group of assets and individual assets are not actually or notionally attributable to particular members or groups of members.

- AG80 Alternatively, a superannuation plan or approved deposit fund might arrange and manage the assets attributable to different groups of members, and the related obligations to those members, on a 'segregated' basis, whereby the contributions attributable to different groups of members are invested separately and individual or groups of assets are at least notionally attributable to particular members or groups of members. The purpose of this might be to facilitate the plan or fund meeting its obligations to particular groups of members. For example, contributions attributable to defined benefit members might be invested separately from those attributable to defined contribution members so that the assets attributable to each group of members more closely matches the risks and estimated future cash flows associated with each group of members. When determining the appropriate level of disaggregation with respect to the plan's or fund's assets and related member obligations, consistent with the 'through the eyes of management' approach applied under AASB 8 to operating segments, separate financial information about the different segregated groups would, at a minimum, need to be available and evaluated regularly by the plan's or fund's chief operating decision maker for the purpose of assessing performance and deciding how to allocate resources before disclosure is required.
- AG81 Determining the appropriate segregated groups may require judgement in some cases. The following examples are provided to assist in making such judgements.
- (a) Fund A operates as two separate segregated groups of members and related assets, a defined benefit group and a defined contribution group. The assets of the two groups are maintained as two separate segregated pools of assets, and invested in accordance with different investment mandates. Accordingly, Fund A would treat the two groups as two segregated groups of members and related assets for the purpose of applying paragraphs 36 and 40 of this Standard.
  - (b) Fund B provides members with twenty five different investment options. Each member allocates a portion of their member account to selected investment options. While investment returns/unit prices are calculated for each individual investment choice, financial information other than investment returns provided to the chief operating decision maker is prepared on a single fund basis. Accordingly, Fund B would not treat the different investment options as separate segregated groups of assets for the purpose of applying paragraph 36 of this Standard.
- AG82 To comply with paragraph 36 of this Standard, a superannuation plan or approved deposit fund that manages the assets attributable to different groups of members, and the related obligations to those members, on a segregated basis, would disclose, as a minimum:
- (a) that the plan or fund arranges and manages the assets attributable to different groups of members on a segregated basis; and
  - (b) information in relation to the member obligations that each segregated group of assets is being held to meet.
- AG83 To evaluate the overall financial performance and financial position of a superannuation plan or approved deposit fund that arranges and manages the assets attributable to different groups of members, and the related obligations to those members, on a segregated basis, it is necessary to evaluate the financial performance and financial position of each segregated group of assets of the plan or fund. Accordingly, to comply with paragraph 40(b) of this Standard, a plan or fund that arranges and manages the assets attributable to different groups of members and the related obligations on a segregated basis would disclose:
- (a) a measure of profit or loss for each segregated group; and
  - (b) information in relation to the financial position of each segregated group.
- AG84 A measure of the profit or loss of a segregated group would include the income and expense items directly attributable to the segregated group, including:
- (a) revenues such as interest, dividends and rental income;
  - (b) expenses such as investment management fees, valuation fees and direct operating expenses in relation to rental properties;
  - (c) gains and losses; and
  - (d) tax expense or income.

- AG85 To enable users to evaluate overall financial performance, a superannuation plan or approved deposit fund would also disclose a reconciliation between the income and expense information for each segregated group of assets and the aggregated income and expense information disclosed in the income statement of the plan or fund.
- AG86 Information in relation to the financial position of each segregated group would include, but is not restricted to, the following:
- (a) the fair value less transaction costs of the total assets; and
  - (b) the amount of obligations for member benefits.
- AG87 When a superannuation plan or approved deposit fund manages the assets attributable to different groups of members, and the related obligations to those members, on a segregated basis, the levels of financial risks attributable to a segregated group of assets and the levels of risks attributable to the related obligations may differ materially from the levels of the corresponding risks attributable to the plan or fund as a whole. In these circumstances, to comply with paragraph 40(c) of this Standard, a plan or fund discloses:
- (a) the significant financial risks to which each segregated group is exposed;
  - (b) how the levels of the financial risks attributable to each segregated group differ from the levels of the corresponding risks at the entity level; and
  - (c) the main reasons for the differences.
- AG88 Where the levels of the financial risks attributable to a segregated group are not materially different from the levels of the corresponding risks at the superannuation plan or approved deposit fund level, this is disclosed by the plan or fund.

## **BASIS FOR CONCLUSIONS**

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### ***Arrangement and management of assets***

- BC121 Information in relation to the way in which a superannuation plan or approved deposit fund arranges and manages assets attributable to different groups of members, and the related obligations to those members, can provide users with a basis for understanding the financial performance and financial position of the entity as a whole. It can also facilitate an understanding of the particular risks to which a plan or fund is exposed.
- BC122 The AASB considered the different ways in which a superannuation plan or approved deposit fund could arrange and manage its assets and related obligations to members and concluded that the ‘through the eyes of management’ approach applied under AASB 8 *Operating Segments* to operating segments provides an appropriate basis for disclosures when a plan or fund manages its assets on a ‘segregated’ basis.
- BC123 The AASB noted that the application of a ‘through the eyes of management’ approach would facilitate the provision of information that corresponds to the information provided in internal management reports for managing a superannuation plan or approved deposit fund. The AASB also noted that a ‘through the eyes of management’ approach is generally less costly to apply than alternative approaches because it uses information that is generated internally for management’s use.
- BC124 The AASB concluded that, although superannuation plans and approved deposit funds are not required to apply AASB 8 under the proposals in ED 179, the ‘through the eyes of management’ approach applied under AASB 8 to operating segments is an appropriate approach for a plan or fund to apply in respect of the disclosure of information about assets attributable to different groups of members and the related obligations to those members because:
- (a) while plans and funds generally do not have identifiable operating segments, some plans and funds segregate their assets into different groups to facilitate meeting their obligations to different groups of members. In these circumstances, users would arguably benefit from these plans and funds disclosing information about such groups of assets and the related member obligations that corresponds to the information provided in management reports;

- (b) the approach is sufficiently generic to be applied in respect of the disclosure of information about assets attributable to different groups of members; and
- (c) the approach is consistent with that proposed in respect of other disclosures, such as disclosures about risks and risk management arrangements.

*Expected rates of return*

BC125 The AASB considered whether a superannuation plan or approved deposit fund should be required to disclose its expected rates of return. The AASB noted that other Accounting Standards do not typically require forward-looking forecasts of future returns. Accordingly, the AASB concluded that ED 179 should not propose that expected rates of return be disclosed. The AASB also noted that requiring expected rates of return to be disclosed in the context of member investment choice is arguably inconsistent with the economic entity notion, which is an integral part of the current financial reporting regime.

## **APPENDIX B – Types of disaggregated disclosures that a plan might provide under a revised set of segregated financial disclosure proposals**

10. The following examples have been prepared on the basis of discussions with constituents and staff views (see Table A and page 23 of this Agenda paper). The examples demonstrate how the main principles and requirements in AASB 8 *Operating Segments*, modified for staff views, might be applied by:
- (a) a large master trust comprising both defined contribution and defined benefit members (Example 1); and
  - (b) a retail superannuation plan comprising defined contribution members only (Example 2).

Staff consider that a 'hybrid' plan may provide disclosures similar to those proposed in Example 1 or Example 2, subject to the information that the chief operating decision maker uses to manage the entity. Staff also note that the outcomes from the 'Cooper Review', particularly its proposals in relation to 'MySuper', could have some implications for the number of segments a defined contribution superannuation plan might identify.

**Example 1 – A large master trust**

***Note # - Disaggregated financial disclosures***

The Plan comprises the following main segments:

- corporate sub-plans – comprising both tailored and non-tailored corporate sub-plans; and
- personal superannuation arrangements – comprising the members of corporate sub-plans with personal defined contribution accounts and pension members.

The chief operating decision maker (the Trustee) of the Plan has chosen to organise the Plan around products that are similar in nature and risks. Accordingly, some members of the Plan have entitlements in both segments.

Disaggregated financial information regarding the main segments is provided below. This information is based on the information used by the Trustee to manage the Plan. The internal reporting to the Trustee for assets and for obligations for members' benefits is prepared on a consistent basis with the recognition and measurement principles of AASB 10XX *Superannuation Plans and Approved Deposit Funds*, except that obligations for corporate plan (defined benefit) members' entitlements are measured at the amount of such members' vested benefits.

Comparative information has been presented in conformity with the relevant principles and requirements in AASB 8 *Operating Segments*.

	<b>2010</b> (\$000)	<b>2009</b> (\$000)
<b><u>Contributions</u></b>		
Corporate plans	1,297,900	1,387,005
Personal	<u>45,675</u>	<u>52,321</u>
Total contributions	<u>1,343,575</u>	<u>1,439,326</u>
<b><u>Benefit payments</u></b>		
Corporate plans	1,323,990	1,254,998
Personal	<u>52,347</u>	<u>35,889</u>
Total benefit payments	<u>1,376,337</u>	<u>1,290,887</u>
<b><u>Assets</u></b>		
Corporate plans	7,276,979	10,381,218
Personal	884,750	948,026
Unallocated assets	<u>25,470</u>	<u>17,390</u>
Total assets	<u>8,187,199</u>	<u>11,346,634</u>
<b><u>Liabilities</u></b>		
Obligations for corporate plan members' vested benefits	6,143,222	9,254,321
Obligations for personal members' entitlements	<u>910,220</u>	<u>965,416</u>
Total liabilities	<u>7,053,442</u>	<u>10,219,737</u>

**Example 2 – A defined contribution retail plan**

*Note # - Disaggregated financial disclosures*

The Plan has only one segment – defined contribution members and the assets used to fund their entitlements. As the nature of all defined contribution members' entitlements are similar, and most members have an exposure to each of the different asset classes the Plan invests in on their behalf, the chief operating decision maker (the Trustee) makes no distinction between individual or groups of members or their entitlements for the purpose of managing the Plan.