



Report on superannuation entity targeted consultation on:

- **defined benefit liability (DBL) measurement**
- **disclosures about DBL**
- **arrangements relating to public sector plan assets and DBLs**



Targets

- Who we consulted – large actuarial firm practitioners and public sector defined benefit plan trustees and administrators in most Australian government jurisdictions
- What we discussed – the benefits, feasibility and cost implications of the Board's latest decisions on DBLs



DBL measurement

- Generally accept accrued benefits measure and principle of expected cash outflows present valued by 'reference portfolio' rate
- Acknowledge investment strategy link and/or funding plan link
- Concern about obtaining timely information and about preparation cost
 - Feasibility of using 'short-cuts' driven off vested benefit calculations



DBL disclosure

- Multi-fund versus single fund perspective
- Disclosure on dealing with deficits for multiple funds is ok at policy level
- Basis of actuarial assumptions disclosure is ok
- Limited sensitivity disclosure on discount rate is ok, but others may be less cost-beneficial
 - Concerns about complex matrix of sensitivity disclosure
 - Feasibility of using ‘short-cuts’ driven off vested benefit calculations



Public sector arrangements

- Difference between plan assets and DBL usually government guaranteed
- Member benefit money flows differ between jurisdictions – plan or government might pay member (see following example of plan with \$10 of assets for a member benefit of \$100)
- Some plans might only have liability to extent of assets held (to pay member or reimburse Treasury)

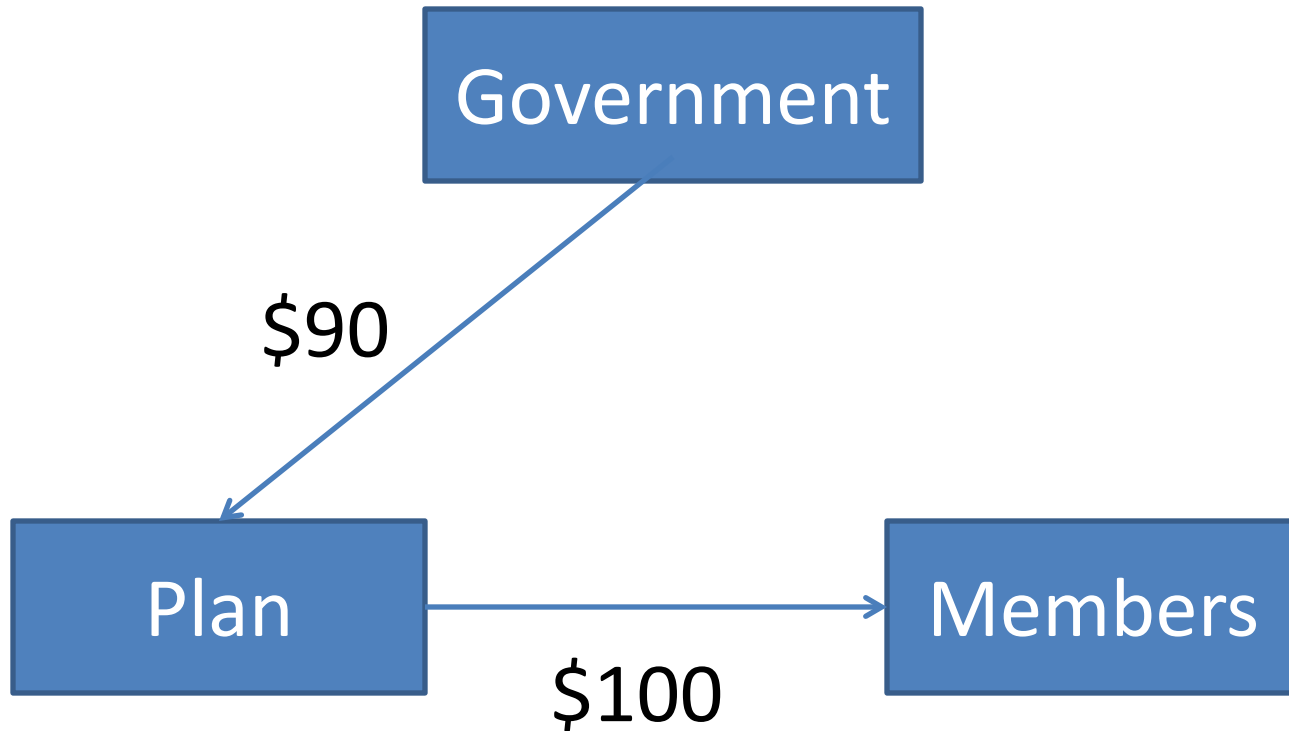


Public sector arrangements

- Potentially useful accounting responses:
 - Asset (receivable) recognition ('financial' asset/guarantee?)
 - Disclosure-only
 - Show DBL as administered item
- Need to consider consistency across sectors

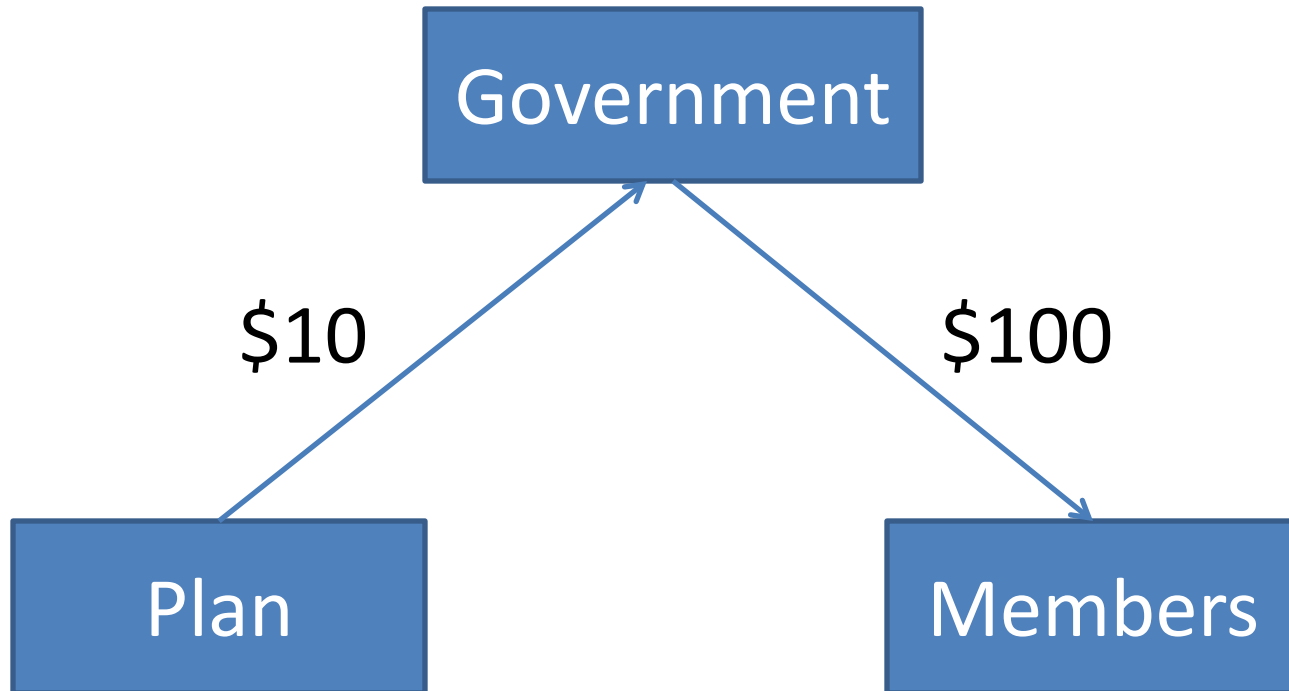


Member benefit money flows





Member benefit money flows





Other matters raised

- Assets held 'outside' government plans – circumstances differ from plan to plan
- Insurance arrangements
- Consolidation
- Statement of changes in equity
- Detail of expense disclosure
- Tier 2 GPFS