

Differential general purpose financial reporting for superannuation entities whose only assets are insurance policies that match liabilities

The purpose of this paper is to provide relevant information for the Board to decide on whether there is a need for relief from some of the requirements of the replacement standard for AAS 25 *Financial Reporting by Superannuation Plans* in relation to superannuation plans that identify themselves as paragraph 66 plans under AAS 25 (see paragraph 1.2 below).

This paper is structured as follows:

1. Background on AAS 25

1.1. Paragraphs 3(a) and 4 of AAS 25 set out its application. AAS 25 does not define the term 'superannuation plan'.

AAS 25.3 This Standard:

- (a) **applies to general purpose financial reports of each superannuation plan in the private or public sector that is a reporting entity, in relation to its first reporting period that ends on or after 30 June 1993, and later reporting periods;**

[Note: For application dates of paragraphs changed or added by an amending Standard, see Compilation Details.]

AAS 25.4 A superannuation plan which is not a reporting entity shall, when it prepares a financial report which it purports to be a general purpose financial report, apply this Standard as if it is a reporting entity.

1.2. Paragraph 66 permits particular types of superannuation plans to not comply with most of the recognition, measurement, presentation and disclosure requirements of AAS 25, while imposing some alternative specific disclosure requirements.

AAS 25.66 Superannuation plans whose only assets (other than temporary deposits at call with a bank) are endowment, whole of life or other long-term insurance policies which match and fully guarantee the benefits to be paid to individual members are not required to comply with the standards set out in paragraphs 37, 44, 49, 50, 54, 55, 57, 58, 59, 60, 61, 62 and 63 of this Standard. The general purpose financial report of such plans need only report:

- (a) **that such policies are in place;**
- (b) **whether those policies have been fully maintained as directed by the insurer(s);**
- (c) **the identity of the insurer(s);**
- (d) **amounts contributed by employers and members during the reporting period;**
- (e) **where all amounts contributed by employers and members during the period are not paid as premiums, the premiums paid to insurers during the reporting period; and**
- (f) **expenses of the plan incurred by the trustees during the reporting period.**

1.3. Staff note that because the paragraph 66 relief relates to recognition, measurement, presentation and disclosure requirements of the core part of AAS 25, it is different from the AASB's notion of a Tier 2 that only provides relief from disclosure requirements. An example of a publicly available annual report prepared using the paragraph 66 relief is included in Appendix A of this paper.

2. Background on ED 223 and feedback received about a possible Tier 2¹

2.1. Paragraph 3 of ED 223 *Superannuation Entities* (December 2011) sets out the proposed application.

ED 237.3 This Standard applies to:

- (a) each superannuation entity that is a reporting entity; and
- (b) financial statements of a superannuation entity that are held out to be general purpose financial statements.

2.2. Appendix A of ED 223 includes the following definition of the term ‘superannuation entity’:

An entity that is:

- (a) regulated under the *Superannuation Industry (Supervision) Act 1993* or similar legislative requirements in the case of an exempt public sector superannuation plan; and
- (b) established and maintained:
 - (i) in order to receive superannuation contributions; and
 - (ii) for the primary purpose of providing benefits to members upon their retirement, death, disablement or other event that qualifies as a condition of release for member benefits.

2.3. AASB 1053 *Application of Tiers of Australian Accounting Standards* sets out that entities with public accountability would apply Tier 1 requirements (all the requirements of relevant Australian Accounting Standards) in preparing general purpose financial statements (GPFSS). Paragraph B2 identifies particular entities that are deemed to have public accountability and sub-paragraph B2(d) identifies:

AASB 1053.B2(d) superannuation plans regulated by the Australian Prudential Regulation Authority (APRA) other than Small APRA Funds as defined by APRA Superannuation Circular No. III.E.1 *Regulation of Small APRA Funds*, December 2000; ...

Paragraph 66 plans are regulated by the APRA and are not Small APRA Funds (SAFs).

2.4. Furthermore, AASB 1053 defines public accountability in Appendix A to be:

Public accountability means accountability to those existing and potential resource providers and others external to the entity who make economic decisions but are not in a position to demand reports tailored to meet their particular information needs.

A for-profit private sector entity has public accountability if:

- (a) its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets); or
- (b) it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses. This is typically the case for banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks.

2.5. The AASB’s reasons for specifically identifying APRA-regulated superannuation plans as having public accountability are evident from sub-paragraph (b) noted immediately above. These superannuation plans, including those falling within

1 ED 223 sought feedback on the broad issue of whether there should be a Tier 2 of GPFSS for superannuation entities, however, this paper deals only with ‘paragraph 66 plans’.

paragraph 66, manage the contributions of members in a fiduciary capacity. Many superannuation entities are ‘public offer’ funds, which means they can accept contributions from any member of the public eligible to make superannuation contributions.

- 2.6. ED 223 has no specific proposals about paragraph 66 plans or whether there might be superannuation entities that would present Tier 2 GPFSSs, however, Specific Matters for Comment (a) asked:

Are there any superannuation entities that would meet the criteria in AASB 1053 *Application of the Tiers of Australian Accounting Standards* for applying Tier 2 disclosure requirements, that is, they need to prepare general purpose financial statements but do not have ‘public accountability’ [as defined in AASB 1053]?

- 2.7. The feedback received on ED 223 from constituents included mention of ‘paragraph 66 plans’ as potential candidates for a Tier 2 of GPFSSs. Several other potential candidates were also mentioned by constituents, but these are not dealt with in this paper.
- 2.8. Several constituents commented that they are not aware of any potential candidates for a Tier 2 of GPFSSs.
- 2.9. Other feedback received on ED 223 from constituents included:

- given the tax advantages provided to superannuation entities, those preparing GPFSSs should probably be in Tier 1;
- having AASB 1053 deem APRA-regulated superannuation entities as possessing ‘public accountability’ is arbitrary, inconsistent with the principle-based approach to ASIC-regulated entities, and not justified on cost-benefit grounds; and
- trustees are best able to exercise judgement on whether entities have public accountability based on the entities’ circumstances and relevance to stakeholders.

- 2.10. At its 25-26 July 2012 meeting the Board tentatively decided:

in relation to Tier 2 general purpose financial statements, to retain the position under which:

- (i) entities determine whether they are reporting entities and need to prepare general purpose financial statements; and
- (ii) AASB 1053 *Application of Tiers of Australian Accounting Standards* deems superannuation plans regulated by the Australian Prudential Regulation Authority (APRA), other than Small APRA Funds, to have public accountability (and therefore they would apply Tier 1 requirements in preparing general purpose financial statements);

3. Recent consultation on paragraph 66 plans

- 3.1. There are no published statistics on paragraph 66 plans. However, in consulting with constituents, AASB staff have found the following:

- there are probably between 30 and 40 paragraph 66 plans;

- the number of paragraph 66 plans continues to decline through industry rationalisation;
 - the sizes of paragraph 66 plans vary greatly. AASB staff identified an example of a paragraph 66 plan with 10 members, and another example with more than 500,000 members. AASB staff also identified an example of a paragraph 66 plan that reported more than \$5 billion in assets (insurance policies); and
 - some paragraph 66 plans already comply with all the requirements of AAS 25, particularly the larger ones.
- 3.2. AASB staff consultation with APRA staff has revealed that the APRA treats paragraph 66 plans in the same way as any other superannuation entity for regulatory reporting purposes. This indicates that requiring the paragraph 66 plans to prepare Tier 1 general purpose financial statements is practicable.
- 3.3. Some constituents noted that a possible justification for allowing plans to utilise paragraph 66 relief is that the relevant risks are borne by their insurer(s), and the insurance policies themselves are the subject of general purpose financial statements of the insurer(s).

4. Basis for paragraph 66

- 4.1. There is no Basis for Conclusions to AAS 25.
- 4.2. Staff undertook a review of AASB minutes and other records from the period when AAS 25 was developed and there is no definitive information to explain the Board's reasoning at the time for providing the paragraph 66 relief.
- 4.3. Staff consider that the most likely arguments for the relief would have been that:
- superannuation plans whose only assets (other than temporary deposits at call with a bank) are endowment, whole of life or other long-term insurance policies which match and fully guarantee the benefits to be paid to individual members are likely to be a component of a life insurer, which would itself prepare general purposes financial statements; and
 - by holding the relevant life insurance policies, the plans have effectively extinguished, or 'defeased', the liabilities to members in the manner of AASB 1014 *Set-off and Extinguishment of Debt* (1990).²
- 4.4. Some constituents may consider that these arguments remain valid, and while they were similar to issues raised in targeted liaison, they were not raised by any of the few

² AASB 1014 included the following at paragraph 10: "For a debt to be accounted for as having been extinguished through a legal defeasance or an in-substance defeasance, it is a condition that it is highly improbable that the reporting entity will be required to assume again the primary obligation for the debt servicing requirements (interest or principal) or to satisfy any guarantee, indemnity or the like relating to such requirements."

constituents responding to the specific question about a potential Tier 2 for superannuation entities.

- 4.5. Staff note that AASB 9 *Financial Instruments* (in particular, Appendix B, section 3.3) and AASB 139 *Financial Instruments: Recognition and Measurement* (in particular, Application Guidance paragraphs AG57 to AG63) deal with derecognition of financial liabilities. Staff consider that under those requirements, the liabilities of paragraph 66 plans to their members would not be able to be derecognised.

5. Reduced Disclosure Requirements analysis

- 5.1. To provide the Board with an idea of what it might mean to have a Tier 2 of general purpose financial reporting available for paragraph 66 plans, staff have undertaken an analysis of the ED 223 disclosure proposals using the AASB's 'Tier 2 Disclosure Principles'. This analysis is available in Appendix B to this paper.
- 5.2. Based on this analysis, if a second tier were created, four of the 17 ED 223 disclosure proposals would be excluded from the Tier 2 disclosure requirements. Furthermore, if the Board decided to create a Tier 2 for paragraph 66 plans, they would be permitted to apply only the Tier 2 disclosure requirements contained in Australian Accounting Standards.
- 5.3. AASB 1053, paragraph B2, which deems all APRA-regulated plans except for SAFs to have 'public accountability' and therefore requires Tier 1 disclosures, as well as item (b) in the definition of public accountability, would need to be amended if a Tier 2 is created for paragraph 66 plans.

6. Consideration of the reporting entity concept

- 6.1. SAC 1 *Definition of the Reporting Entity* elaborates on the main considerations made when determining if dependent users exist that rely on the financial reports of an entity:
 - separation of management from economic interest [paragraph 20];
 - economic or political importance/influence [paragraph 21]; and
 - financial characteristics [paragraph 22].
- 6.2. Although defined contribution members make investment allocation decisions and employer-sponsors together with the trustee make investment allocation decisions for defined benefit members, the trustee of a paragraph 66 plan is responsible for managing the investments on their behalf. Accordingly, there is a separation of management from economic interest. Since some paragraph 66 are entrusted with significant quantities of economic resources and have thousands of members they could be said to possess economic importance.
- 6.3. Based on the analysis above, dependent users could be expected to exist for the financial statements of many paragraph 66 plans.

7. Staff comments and recommendations

- 7.1. Staff consider there to be three main approaches the Board should consider:
- A. continue the same form of relief for paragraph 66 plans as is provided under AAS 25 (grandfathering);
 - B. exclude paragraph 66 plans from the replacement standard for AAS 25 and allow them to prepare special purpose financial statements; and
 - C. provide no relief for paragraph 66 plans and, therefore, require them to prepare general purpose financial statements.
- 7.2. It can be argued that a paragraph 66 plan shifts all of its risk to its insurer(s). It is then the insurer(s) obligation to report such risk in its GPFSs. Therefore, any potential users of a paragraph 66 plan's financial statements might gain very little benefit from them and yet the plan would have the cost of applying the recognition, measurement, presentation and disclosure requirements of the replacement standard for AAS 25. Based on this argument, the relief currently provided in paragraph 66 could be maintained or these plans could be excluded from the replacement standard for AAS 25 and allowed to do their own special purpose financial reporting.
- 7.3. Staff note that it would seem contrary to the Board's position on general purpose financial reporting to continue the grandfathering of entities that can offer investment products to the public. Accordingly, at the very least, staff consider that paragraph 66 plans that are 'public offer plans' should be required to present GPFS.
- 7.4. Staff also consider that paragraph 66 plans that are not currently public offer plans could expect to have dependent users, based on the analysis of SAC 1 in section 6 above.
- 7.5. If a Tier 2 were created for superannuation entities, the main impact would probably be the relief from the disclosure requirements of AASB 7 *Financial Instruments: Disclosure*. Given the focus of superannuation entities on investment performance and the associated risks, staff consider that it would be inappropriate to relieve any superannuation plans that expects to have dependent users from the relevant AASB 7 disclosure requirements.
- 7.6. Based on a staff analysis of the ED 223 disclosure proposals, they would be relieved from only a few of the disclosure requirements specific to the replacement standard for AAS 25.
- 7.7. AASB staff recommend that the Board does not include any relief from Tier 1 financial reporting for paragraph 66 plans.

Board members are asked to identify their views on the staff comments and recommendations in paragraphs 7.1 to 7.7.

Appendix A – Example paragraph 66 annual report

National Mutual Pro-Super Fund

Financial Statements

As at 30 September 2008

The only assets of the National Mutual Pro-Super Fund as at 30 September 2008 are its rights to claim payment of the insurance cover under certain endowment or whole of life insurance policies that would become due and payable on the death, and in some instances, the total and permanent disablement of a member of the Fund. These rights match and fully guarantee the benefits to be paid to individual members of the Fund.

- 1 In accordance with Australian Accounting Standard AAS 25 “Financial Reporting by Superannuation Plans”, it is reported that:
 - (a) the above mentioned policies are in place;
 - (b) the policies have been fully maintained as directed by the insurer and the Trustee’s rights to claim the insurance cover are safeguarded by means of written Split Dollar Agreements with all other parties interested in the Pro-Super arrangement;
 - (c) the insurer is The National Mutual Life Association of Australia Limited (ABN 72 004 020 437);
 - (d) contributions for the year from members and employers totalled \$305,998(2007: 328,266);
 - (e) all amounts contributed by members and employers have been paid as premiums; and
 - (f) expenses of the Fund incurred by the Trustee during the year are \$ Nil. (2007: Nil)
- 2 In accordance with Clause 6(c) of the Trust Deed dated 21 September 1988, as amended, the attached Statement of Receipts and Disbursements and Statement of Financial Position have been prepared.
- 3 Comparative figures are, where appropriate, reclassified so as to be comparative with the figures presented for the current financial year.

Appendix B – Tier 2 Analysis

Disclosure requirements in ED 223	Analysis
<p>29 A superannuation entity shall disclose information that provides users with a basis for understanding:</p> <p>(a) the nature of the entity and the nature of the benefits it provides to members; and</p> <p>(b) the nature and amounts of expenses incurred.</p>	<p>Based on paragraphs 5 and 6 of ‘Tier 2 Disclosure Principles’, relating to user needs in respect of transactions and other events and conditions encountered by entities, paragraph 29 should be retained in the Tier 2 disclosure requirements.</p>
<p>30 As a minimum, to meet the objectives in paragraph 29(a), an entity discloses the following:</p> <p>(c) a description of the entity, including:</p> <ul style="list-style-type: none"> (i) the type of entity; (ii) the name of its trustee or trustees; (iii) an outline of the entity’s registration with the Australian Prudential Regulation Authority (APRA); and (iv) an outline of the trustee’s or trustees’ Regulated Superannuation Entity (RSE) Licence; and <p>(d) a description of the nature of the entity’s members and beneficiaries, including:</p> <ul style="list-style-type: none"> (i) the types of benefits provided; (ii) the number of members and beneficiaries at the reporting date; and (iii) when relevant, whether the entity can accept new defined benefit members. 	<p>Paragraph 30 is in the nature of guidance for the application of paragraph 29(a), which is proposed to be retained in the Tier 2 disclosure requirements. Based on paragraph 7 of ‘Tier 2 Disclosure Principles’, paragraph 30 should also be retained in the Tier 2 disclosure requirements.</p>
<p>31 To meet the objectives in paragraph 29(b), an entity separately discloses, as a minimum, the following when relevant:</p> <p>(e) administration expenses;</p> <p>(f) investment expenses such as investment manager fees, investment consultant fees and custodian fees;</p>	<p>Paragraph 31 is in the nature of guidance for the application of paragraph 29(b), which is proposed to be retained in the Tier 2 disclosure requirements. Based on paragraph 7 of ‘Tier 2 Disclosure Principles’, paragraph 30 should also be retained in the Tier 2 disclosure requirements.</p>

Disclosure requirements in ED 223	Analysis
<ul style="list-style-type: none"> (g) actuarial fees; (h) audit fees; (i) commissions paid directly by the entity; (j) trustee fees and reimbursements; and (k) advertising and sponsorship expenses. 	
<p>32 A superannuation entity shall disclose information that provides users with a basis for understanding the member benefits obligation.</p>	<p>Based on paragraphs 5 and 6 of ‘Tier 2 Disclosure Principles’, in relation to user needs in respect of measurement uncertainties, paragraph 32 should be retained in the Tier 2 disclosure requirements.</p>
<p>33 As a minimum, to meet the objective in paragraph 32, an entity discloses the following when relevant:</p> <ul style="list-style-type: none"> (l) the amount of defined benefit members’ vested benefits at the end of the period; (m) the amount of any net assets attributable to defined contribution members but not allocated to those members at the end of the period; (n) details of any guarantees provided in relation to members’ or their beneficiaries’ benefits, including: <ul style="list-style-type: none"> (i) the identity of the guarantor; (ii) the nature of the guarantee, including the benefit type and the number of members or beneficiaries to which the guarantee applies; and (iii) the amount of vested benefits and the amount of accrued benefits subject to the guarantee; (o) the actuary’s recommended level of contributions in respect of defined benefit members for the period, and whether the level of contributions received by the plan is consistent with the actuary’s recommendations; (p) the actuary’s recommended level of contributions in respect of defined benefit members for the next period; and (q) information in relation to the actuarial assumptions used in measuring defined benefit members’ accrued benefits, including: 	<p>Paragraph 33 is in the nature of guidance for the application of paragraph 32, which is proposed to be retained in the Tier 2 disclosure requirements. Based on paragraph 7 of ‘Tier 2 Disclosure Principles’, paragraph 33 should also be retained in the Tier 2 disclosure requirements.</p> <p>Most of the detailed disclosure relates to defined benefits and is considered useful even when the defined benefit element of the superannuation entity is small (provided it is material).</p>

Disclosure requirements in ED 223	Analysis
<ul style="list-style-type: none"> (i) the key actuarial assumptions used to measure members' accrued benefits at the end of the period; (ii) any uncertainties surrounding the key actuarial assumptions used to measure members' accrued benefits at the end of the period, including the amount and timing of benefit payments; and (iii) whether the key assumptions used to measure defined benefit members' accrued benefits at the end of the last annual reporting period have been consistent with experience in the current period. 	
<p>34 Where the amount of net assets attributable to defined benefit members differs from the amount of such members' accrued benefits, the entity shall disclose information that provides users with a basis for understanding the size, nature, causes of and any strategies for addressing the difference between the two amounts.</p>	<p>Based on paragraphs 5 and 6 of 'Tier 2 Disclosure Principles', in relation to user needs in respect of measurement uncertainties, paragraph 34 should be retained in the Tier 2 disclosure requirements.</p>
<p>35 To meet the objective in paragraph 34, an entity discloses information that includes the following:</p> <ul style="list-style-type: none"> (r) whether the difference has arisen, in part or whole, as a consequence of applying different assumptions for the purposes of determining funding levels and measuring defined benefit members' accrued benefits. If so, as a minimum, the plan would disclose the nature of the differences between the two sets of assumptions; (s) in the case of a surplus, whether the trustee is aware of any decisions by the employer sponsor to seek to be paid some or all of the surplus or to reduce the level of its contributions in the future; (t) to the extent a deficiency is not explained by (a), the entity's strategy for addressing the deficiency and the anticipated timeframe over which the deficiency will be eliminated; and (u) in the case of a deficiency, whether there is a specific contractual agreement in place between the trustee and the relevant employer sponsor in relation to funding the deficiency, the main features of the agreement; or if there is no specific contractual agreement in place, how the trustee monitors and manages the deficiency. 	<p>Paragraph 35 is in the nature of guidance for the application of paragraph 34, which is proposed to be retained in the Tier 2 disclosure requirements. Based on paragraph 7 of 'Tier 2 Disclosure Principles', paragraph 35 should also be retained in the Tier 2 disclosure requirements.</p>
<p>36 A superannuation plan shall disclose in the notes the following items in respect</p>	<p>Based on paragraphs 5 and 6 of 'Tier 2 Disclosure Principles', in relation to</p>

Disclosure requirements in ED 223	Analysis
<p>of changes in its obligations for defined benefit members' accrued benefits for the period:</p> <p>(v) benefit cost;</p> <p>(w) interest cost;</p> <p>(x) actuarial gains and losses; and</p> <p>(y) the effects of other items, including settlements, curtailments and amendments.</p>	<p>user needs in respect of disaggregations of amounts presented in the financial statements, paragraph 26 should be retained in the Tier 2 disclosure requirements.</p>
<p>37 For the purpose of this Standard, a superannuation entity's obligations for member benefits are within the scope of AASB 7 <i>Financial Instruments: Disclosures</i>.</p>	<p>Paragraph 37 is in the nature of contextual material, therefore based on paragraph 7 of 'Tier 2 Disclosure Principles', paragraph 37 should be retained in the Tier 2 disclosure requirements.</p>
<p>38 Notwithstanding that employers' rights and obligations arising from employee benefit plans accounted for under AASB 119 are outside the scope of AASB 7, a superannuation entity would provide disclosures in relation to obligations for member benefits in accordance with the relevant principles and requirements in AASB 7, with the exception of the requirements relating to fair value disclosures.</p>	<p>Paragraph 38 is in the nature of contextual material, therefore based on paragraph 7 of 'Tier 2 Disclosure Principles', paragraph 38 should be retained in the Tier 2 disclosure requirements.</p>
<p>39 A superannuation entity with defined benefit members shall disclose qualitative information that provides users with a basis for understanding the non-performance risk and/or economic dependency risk to which the plan is exposed in relation to the employer sponsor(s) of such members.</p>	<p>Based on paragraph 5 of 'Tier 2 Disclosure Principles', in relation to cost-benefit, paragraph 39 should be excluded from the Tier 2 disclosure requirements.</p>
<p>40 To meet the objective in paragraph 39, an entity provides qualitative disclosures that are consistent with the types of information disclosed in accordance with paragraph 33 of AASB 7.</p>	<p>Paragraph 40 is in the nature of guidance for the application of paragraph 39, which is proposed to be excluded from the Tier 2 disclosure requirements. Based on paragraph 7 of 'Tier 2 Disclosure Principles', paragraph 40 should also be excluded from the Tier 2 disclosure requirements.</p>
<p>41 A superannuation entity shall disclose information that provides users with a basis for understanding the liquidity risks to which the entity is exposed in relation to any non-financial liabilities other than tax liabilities that it holds.</p>	<p>Based on paragraphs 5 and 6 of 'Tier 2 Disclosure Principles', in relation to user needs in respect of liquidity and solvency, paragraph 41 should be retained in the Tier 2 disclosure requirements.</p>
<p>42 To meet the objective in paragraph 41, an entity provides disclosures that are consistent with the types of information disclosed in accordance with paragraphs 33 and 39 of AASB 7.</p>	<p>Paragraph 42 is in the nature of guidance for the application of paragraph 41, which is proposed to be retained in the Tier 2 disclosure requirements. Based on paragraph 7 of 'Tier 2 Disclosure Principles', paragraph 42 should also be retained in the Tier 2 disclosure requirements.</p>
<p>43 A superannuation entity shall disclose disaggregated financial information that</p>	<p>Based on paragraphs 5 and 6 of 'Tier 2 Disclosure Principles', in relation to</p>

Disclosure requirements in ED 223	Analysis
<p>provides users with a basis for understanding the risks, financial position and financial performance of the entity.</p>	<p>cost-benefit, paragraph 43 should be excluded in the Tier 2 disclosure requirements.</p> <p>Furthermore, AASB 8 <i>Operating Segments</i>, which is referred to in paragraph 44, is excluded from the Tier 2 disclosure requirements.</p>
<p>44 To meet the objective in paragraph 43, an entity discloses disaggregated financial information in accordance with the principles and requirements in AASB 8 <i>Operating Segments</i>, except that a superannuation entity:</p> <p>(z) discloses information about each segment that meets any of the quantitative thresholds in paragraph 13 of AASB 8 or has liabilities that are 10% or more of the total liabilities of all segments;</p> <p>(aa) identifies additional segments [even if they do not meet the quantitative thresholds described in (a) above] until at least 75% of the entity's revenues, expenses, assets or liabilities are included in reportable segments;</p> <p>(bb) is not required to apply the second sentence of paragraph 16 or paragraphs 23, 24, 28 and 31-34 of AASB 8;³</p> <p>(cc) provides disaggregated disclosures consistent with the information regularly reviewed by the entity's chief operating decision maker to manage the entity (which may or may not include the types of information described in paragraphs 23 and 24 of AASB 8); and</p> <p>provides reconciliations of the disaggregated disclosures with corresponding amounts at the entity level (which may or may not include the types of information described in paragraph 28 of AASB 8).</p>	<p>Paragraph 44 is in the nature of guidance for the application of paragraph 43, which is proposed to be excluded from the Tier 2 disclosure requirements. Based on paragraph 7 of 'Tier 2 Disclosure Principles', paragraph 44 should also be excluded in the Tier 2 disclosure requirements.</p>
<p>45 A superannuation entity that recognises assets or liabilities in respect of insurance arrangements (reported as part of member benefits and changes in member benefits) shall disclose information that explains and provides users with a basis for understanding the amount, timing and uncertainty of future</p>	<p>Based on paragraphs 5 and 6 of 'Tier 2 Disclosure Principles', in relation to user needs in respect of liquidity and solvency, paragraph 45 should be retained in the Tier 2 disclosure requirements.</p>

³ These paragraphs address specific disclosures about revenue sources from 'all other segments', profit or loss and assets and liabilities, segment reconciliation, entity-wide, product and service, geographical and major customer information.

Disclosure requirements in ED 223		Analysis
cash flows arising from insurance arrangements it provides to its members.		
46	As a minimum, to meet the objective in paragraph 45, an entity discloses information in relation to key actuarial assumptions used to measure liabilities arising from insurance arrangements it provides to its members; and any uncertainties surrounding those key actuarial assumptions; and any uncertainties surrounding reinsurance assets.	Paragraph 46 is in the nature of guidance for the application of paragraph 45, which is proposed to be retained in the Tier 2 disclosure requirements. Based on paragraph 7 of ‘Tier 2 Disclosure Principles’, paragraph 46 should also be retained in the Tier 2 disclosure requirements.