



Central Plaza Three
70 Eagle Street Brisbane
GPO Box 200 Brisbane Qld 4001
Phone 1300 360 750
Fax 07 3239 1147
qsuper.qld.gov.au

30 September 2009

The Chairman
Australian Accounting Standards Board
PO Box 204
Collins Street West VIC 8007

Dear Sir / Madam,

RE: Exposure Draft 179 Superannuation Plans and Approved Deposit Funds

The Board of Trustees of the State Public Sector Superannuation Scheme (QSuper) administers one of Queensland's largest superannuation funds with a membership of over 500,000. The scheme has over \$25 billion in funds under management and offers a range of accounts that include Accumulation, Defined Benefit and Allocated Pension. QSuper also offers members a fully funded self-insurance arrangement which includes a reinsurance contract that provides catastrophe cover. Those arrangements that QSuper does not self-insure are provided by group life policies.

QSuper would like to submit the following comments in response to the Australian Accounting Standards Board's *Exposure Draft 179 Superannuation Plans and Approved Deposit Funds* (ED179).

QSuper, in discussion with other interested parties, understands and notes that many industry participants will be providing comprehensive feedback in relation to the proposed changes and therefore seeks to only raise the matter of Insurance Contracts.

In brief, QSuper strongly recommends that the current treatment of insurance by a superannuation fund be substantially retained.

Core Principles

One of the core principles of the revised standard, as outlined in ED179 (2(c)) is to "...provide users of its financial statements with a basis for understanding the...financial risks to which the entity is exposed that could affect the amount of, and the entity's capacity to meet, member benefits."

QSuper has a reserve specifically set aside to meet the liabilities of its self-insurance arrangement. The value in this reserve is currently included in QSuper's Statement of Net Assets and disclosed separately in the notes to the financial statements.

Each year QSuper engages its Actuary to review the self-insurance arrangements on the basis of eligibility, premiums, claims, adequacy of the insurance reserve, investment strategy of the insurance reserve and the level of reinsurance. Further, an attestation regarding the Actuary's review of the premiums is provided in the notes to the financial statements as further assurance to members.

QSuper acknowledges that there is scope to increase the disclosures provided to members in the notes to the financial statements to provide further assurance on the processes undertaken to manage the risks associated with its insurance arrangements. However, QSuper is of the view that increasing the disclosure requirements in the financial statements themselves, in accordance with AASB 1038 *Life Insurance Contracts* (AASB 1038), will not necessarily improve clarity and transparency to members.

Industry specific Standard

In ED 179, it is noted that "the AASB concluded that it is necessary to retain a domestic Standard that addresses a limited number of reporting issues of critical importance to superannuation plans and approved deposit funds in Australia". Further, "the reporting requirements that would otherwise apply under Australian Accounting Standards... are not necessarily appropriate for the needs of users of the financial statements of superannuation plans or approved deposit funds."

QSuper concurs with the view expressed that superannuation funds require an industry-specific Standard to meet the disclosure requirements of their users. Unlike publicly listed companies, users of superannuation fund financial statements are seeking assurances and information for quite different and specific purposes (e.g. the risks, exposure and ability to pay member benefits).

Sole Purpose Test

Section 67 of the *Superannuation Industry (Supervision) Act 1993* imposes an obligation on all trustees of superannuation funds to ensure that their fund is maintained solely for the core purpose of providing benefits in the event of a member's retirement, attainment of their preservation age, or upon death. QSuper sees its core business as administering and operating a superannuation fund, and therefore not in the business of being an insurance provider. The insurance arrangements of the scheme are an ancillary purpose. Consequently, QSuper is of the view that any additional disclosure of insurance activities in accordance with AASB 1038 may not provide additional value to members and other users of QSuper's financial statements.

If you would like to discuss any of these comments further, please do not hesitate to contact me on 07 3239 1510 or Mrs Ailsa Heise on 07 3239 1693.

Yours faithfully



Peter Lockington
General Manager Finance