



30 April 2012

Kevin Stevenson
Chairman
Australian Accounting Standards Board
PO Box 204
COLLINS STREET WEST VIC 8007

Dear Mr Stevenson

Invitation to comment on ED223: Superannuation Entities

Thank you for the invitation to comment on the above Exposure Draft.

UniSuper is a \$29Billion fund with over 450,000 members serving the Higher Education sector of Australia.

As a significant investor UniSuper is fully supportive of strong and transparent Financial Reporting Standards. They are an essential part of any investment market to allow for the best informed investment decisions.

Superannuation funds should have no less an obligation to report their own financial position to be appropriately judged and monitored on their performance. We therefore are supportive of changes that add to the understanding of superannuation funds and that more align to the International Financial Reporting Standards.

There is, however, also a need to align to other principals and regulations applying to superannuation.

Superannuation is a major plank in Government policy in funding the retirement of all Australians. It is closely governed by the regulatory bodies APRA and ASIC with respect to pricing in particular and other standards of conduct in governing and running the fund.

Any change in financial reporting, or reporting that is not aligned with the prudential standards, has the unfortunate consequence of only adding confusion to members in the understanding of their fund.

UniSuper welcomed the opportunity to participate in the roundtable at the Board's Melbourne office on 13 April. We felt there was very much a unified and collective voice from Superannuation Funds, Accounting firms and Actuarial practices on the proposed standard.

UniSuper agrees that the notes from that meeting fundamentally reflect the issues discussed.

Specifically to the issues raised UniSuper has the following comments:

1. Financial Statements

We agree that the merging of the proposed Statement of Changes in Member Benefits with the Statement of Comprehensive Income is an appropriate alignment of information at an aggregate level to that communicated to members in their annual statement.

Fund: UniSuper
ABN 91 385 943 850

Trustee: UniSuper Limited
ABN 54 006 027 121

Administrator: UniSuper
Management Pty Ltd
ABN 91 006 961 799
Australian Financial Services
Licence No. 235907

Address
Level 37, 385 Bourke Street
Melbourne VIC 3000

Telephone 03 9910 6100
Facsimile 03 9910 6141

www.unisuper.com.au

We also believe AASB107 Statement of Cash Flows accounting standard by disclosing net, rather than gross, investment transactions is appropriate and the proposed standard should align to this.

2. Measurement of member benefits and related disclosure

We believe this is an area where close alignment with the APRA proposed prudential standards is highly desirable. The Vested Benefit calculation is the most accepted by the regulator and most used by Funds. To move away from this and create another 'valuation' will have no other outcome than to create confusion, or a 'reconciliation' for no real purpose.

UniSuper, due to its own specific circumstances, is not as affected as other funds on the issue of credit risk. However, in the event we were we would agree with the notes of the roundtable that the liability is arguably not that of the Trustee and the assessment of credit risk of the employer is both difficult and problematic for the Trustee.

3. Consolidation

We do not believe consolidation provides any useful additional disclosure. Superannuation funds are passive investors, control is not part of their mandate. We think reflecting superannuation funds as investment entities under the principals in ED220 Investment Entities is the more appropriate outcome.

4. Disaggregated Information

There are clearly a number of options as to what may be disclosed in disaggregated form, a product driven view or investment driven being prime possibilities. UniSuper would support either but more information and clarity is required.

The above reflect the most important issues to UniSuper in changing the standard but as mentioned, we generally support all the issues as documented at the roundtable.

Appendix 1 also answers those questions posed by the Board requiring specific comment.

Yours sincerely



Terry McCredden
Chief Executive Officer



John Dyer
Chief Financial Officer

Contact:
John Dyer, Chief Financial Officer, 03 9910 6227

APPENDIX1: Specific matters for comments

- a) **Are there any superannuation entities that would meet the criteria for applying Tier 2 disclosure requirements?**

We don't believe so.

- b) **Are there any significant practical difficulties that would inhibit a superannuation entity disclosing:**

To the extent the standards align with APRA prudential standards and those required on Stronger Super legislation, UniSuper sees no practical difficulties in complying. One caveat to this, however, is just what will be the potential requirements of any disaggregated information?

- c) **Would it be reasonable to require retrospective application of the replacement standard for AAS25 to annual reporting periods beginning two years from the date of issuing that standard?**

To the extent that there is no change to the net assets of the superannuation entity arising from the new accounting standard, we believe that there is only need for one year of comparative numbers to be prepared under the new standard.

- d) **Overall, would the proposals result in general purpose financial statements that would be useful to members?**

As currently written it is difficult to believe that overall the current ED would result in financial statements that would be more useful to members. As discussed better alignment to APRA reporting standards and Member statements would be more useful.

We would however, support any further disclosure of investment type information that better explains the processes and risks faced by funds in investing member's money. We would also support more standardised practices with respect to reporting of the costs of running super funds.

- e) **Others**

We have no specific comments on any other questions posed by the Board.