Australian Government
Australian Accounting Standards Board

Collation of comments

Project:	**Post-implementation Reviews**	**Meeting:**	M201
Topic:	**Superannuation Entities**	**Agenda Item:**	7.2
		Date:	20 February 2024
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Collation of comments on ITC 54

1. This Collation of written comments on ITC 54 *Post-implementation Review of AASB 1056 Superannuation Entities and Interpretation 1019 The Superannuation Contributions Surcharge* accompanies Agenda paper 7.1.

2. ITC 54 includes nine topics and 13 questions for comment:
   (a) Topic 1: Level of reporting and sub-fund reporting
   (b) Topic 2: Statement of changes in member benefits
   (c) Topic 3: Classification/disclosure of revenue and expenses
   (d) Topic 4: Fair value asset measurement
   (e) Topic 5: Insurance arrangements
   (f) Topic 6: Subsidiaries
   (g) Topic 7: Trends affecting superannuation entity reporting
   (h) Topic 8: Interpretation 1019
   (i) Topic 9: Any other matters affecting AASB 1056 or Interpretation 1019.

3. Eight formal written submissions have been received on ITC 54. In addition, there has been informal feedback provided to staff from a range of sources most of which is reflected in comments within the formal submissions. When relevant, reference has been made to this informal feedback.

4. The following legislation is referenced in this collation:
   (a) *Superannuation Industry (Supervision) Act 1993* [SIS Act]
   (b) *Superannuation Industry (Supervision) Regulations 1994* [SIS Regulations]; and
   (c) *Income Tax Assessment Act 1997* [ITAA].

5. The following abbreviations are referenced in this collation:
   (a) General Purpose Financial Statements (GPFS);

(b) Statement of Changes in Member Benefits (SOCMB);

(c) Annual Members' Meeting (AMM) Statement; and

(d) Registrable Superannuation Entity (RSE).[1]

6. The following other industry terms are referenced in this collation:

(a) MySuper: all member accounts in default investment options must be invested in MySuper products, intended to be a simple, cost-effective, balanced product for the vast majority of Australian workers who are invested in the default option of their current fund; and

(b) Successor Fund Transfers (SFTs): mergers of superannuation entities.

General comments

Respondent		Summarised respondent comments
1	CA ANZ and CPAA	Overall, AASB 1056 is well written, structured and fit-for-purpose. The current level of financial reporting by superannuation entities is optimal, and any additional reporting requirements would be resource intensive and unlikely to provide useful information to fund members. Ultimately, it is fund members who bear additional compliance costs incurred by superannuation entities, which would undermine the expectation that superannuation entities remain focused on cost optimisation to improve member outcomes. Many users rely on information relating to investment fund performance and fees reporting, which are not derived from the GPFS. However there is a role for GPFS in ensuring confidence over stewardship of the entities within the sector.
2	AustralianSuper	AustralianSuper strongly supports transparent financial reporting by superannuation funds and considers that AASB 1056 provides a suitable framework for the presentation of fund financial statements. The requirements of AASB 1056 suitably complement the numerous other superannuation reporting requirements, including APRA reporting, Annual Member Meeting disclosures and Portfolio Holding Disclosures. AustralianSuper does not see any need for significant changes to be made to AASB 1056.
3	ASFA[2]	ASFA member organisations have no concerns with the application of AASB 1056, nor with the application guidance. GPFS prepared by Australian superannuation entities show a great level of transparency and comparability resulting from the application of AASB 1056.
4	Aware Super	No comments.

1 A RSE is a regulated superannuation fund or an approved deposit fund or a pooled superannuation trust but does not include a self-managed superannuation fund. RSEs are licenced under Part 2B of the SIS Act.

2 The Association of Superannuation Funds of Australia Limited.

Respondent		Summarised respondent comments
5	Mercer[3]	No comments.
6	ART[4]	ART do not consider that any additions, deletions or amendments to the Standard are required. The Standard is now well understood within the industry and superannuation funds have well developed finance and reporting functions to comply with the requirements. We cannot envisage any additional information that could be provided pursuant to this Standard that would improve readability or improve clarity for users.
7	PwC	Overall, in PwC's experience AASB 1056 has met the needs of users.
8	Deloitte	No comments.

Topic 1: Level of reporting and sub-fund reporting

> Do you have any comments about the level at which superannuation entities prepare their GPFS, including whether some form of sub-fund reporting under AASB 1056 might be useful? Please provide reasons for your view.
>
> If you consider there should be some form of sub-fund reporting, please indicate your suggested basis for identifying sub-funds and your reasoning.

Respondent		Summarised respondent comments
1	CA ANZ and CPAA	Sub-fund reporting for superannuation entities with many sub-funds is likely to be prohibitively expensive and undermine the objective of providing information that is useful to fund members. Defined benefit funds are distinct from defined contribution funds and the separate reporting of these remains appropriate.
2	AustralianSuper	The current level of reporting in AASB 1056 is appropriate and Australian Super would not support proposals to include some form of sub-fund reporting. The costs of sub-fund reporting would significantly outweigh any benefits and would not be in members' best financial interests.
3	ASFA	Sub-fund reporting is not aligned to the objective of providing information that is useful to members and other users. Detailed information on sub-funds could create confusion for members and other users when it comes to understanding the overall performance of the entity and make it difficult to compare the GPFS of superannuation entities. Preparation and audit of sub-fund information would impose increased costs, that would be borne by the members of the entity and may not produce a commensurate benefit.

3 Mercer (Australia) Pty Ltd.
4 Asset Retirement Trust.

Respondent		Summarised respondent comments
4	Aware Super	The existing requirement in AASB 1056 is sufficient and the disaggregation of the data at the sub-fund level would unnecessarily complicate reporting, leading to additional cost, without adding value for users. Funds generally disaggregate their reporting between defined contribution and defined benefit segments where applicable. Further disaggregation of the risks and benefit arrangements within these two categories would be largely irrelevant to the users of the financial statements as a whole. Fund members already receive tailored information on the performance and risks of their holdings in investment options via statements (periodic and exit), supported by product disclosure statements. Sub-fund reporting would not provide any additional relevant information to members that they do not already receive. Differences in the interpretation of what constitutes a sub-fund could lead to inconsistent reporting, hindering the comparability of information across funds.
5	Mercer	GPFS requirements should continue to apply at the whole-of-entity level. Sub-fund reporting would add a considerable cost burden on members for limited additional useful information. Sub-plans are not homogenous (either across or within superannuation entities) and it would not be realistic to provide comparable general purpose sub-fund reports. Specific forms of regulated sub-fund reporting already occur that is tailored to the circumstances – for example, actuarial reports for defined benefits plans and annual sub-plan level reporting of selected information to members and to APRA.
6	ART	No comments.
7	PwC	AASB 1056.32 requires disaggregated information when it is necessary to explain the risks and benefit arrangements relating to different categories of members liabilities (in practice, defined contribution and defined benefit), which together with the accompanying guidance is adequate. There is no need for a specific requirement to further disaggregate. In some instances, such as when a defined benefit plan is in deficit, further disaggregated information is required to be disclosed in the notes. Certain prudential requirements already necessitate a detailed breakdown in fund reporting. Sub-fund reporting beyond the requirements of AASB 1056.32, would be unlikely to benefit members and would significantly increase costs. The interpretation of the term sub-fund can vary significantly by entity, which could lead to a wide disparity in the number of identified sub-funds, which, in turn, might result in a burdensome and costly sub-fund reporting process. Fund members receive periodic statements (exit and annual statements) that provide tailored and specific information relating to their personal entitlements.

Respondent		Summarised respondent comments
8	Deloitte	Sub-fund reporting may provide increased transparency and be valuable for certain members and other stakeholders to understand how individual sub-funds contribute to entity performance. However, these benefits would not outweigh the costs. Members receive more timely and up-to-date information on sub-funds via dashboard reporting available on entity websites. Sub-fund would need to be clearly defined as this is a complex area. Audit costs would be significant. A more appropriate alternative would be to include the MySuper option performance in GPFS, which following the amendments to the *Corporations Act 2001* is now considered 'Other information' in the Directors' report.

Topic 2: Statement of changes in member benefits (SOCMB)

Do you have any comments regarding the AASB 1056 requirement to present a statement of changes in member benefits, including whether it should be retained or modified? If you consider there should be changes to the requirements or consider additional guidance is needed, please indicate the nature of those changes or guidance and your reasoning.

Respondent		Summarised respondent comments
1	CA ANZ and CPAA	Feedback received indicates an overall level of satisfaction among stakeholders in relation to the SOCMB. No significant concerns have been raised.
2	AustralianSuper	The current requirement to present a SOCMB should be retained. No changes to the composition of the statement are warranted. No comment is made in relation to the operation of the SOCMB in relation to defined benefit plans as Australian Super does not have such plans.
3	ASFA	The SOCMB includes key movements of the defined benefit liability balance, provides useful information to the users of the GPFS and members, and gives a basis for comparison with other superannuation entities. In addition, quantitative and qualitative disclosures are included in the GPFS which provides users with information on key drivers relating to 'net changes in defined benefit'. Any requirement to disclose additional line items in the SOCMB would be of little additional benefit to users and, due to the need to source additional actuarial information, would result in higher costs. Under AASB 1056, current and deferred tax directly relating to items that are credited or charged to member liabilities (e.g. tax on contributions) are presented in the SOCMB. In contrast, income tax expense and/or tax

Respondent		Summarised respondent comments
		benefits relating to those items is included and presented in the income statement. As the tax disclosures (and the amounts to which they relate) are not aggregated in the financial statements, it is necessary to add the components to determine the entity's overall effective tax rate. Users may misinterpret the effective tax rate.
4	Aware Super	The SOCMB provides information of how balances attributed to members change within the Fund. The application guidance is clear and transparent on how changes in members' benefits are determined and allocated, thereby making information easy to compare with other superannuation entities.
5	Mercer	No comments.
6	ART	No comments.
7	PwC	The SOCMB is helpful for understanding members' balance movements. Within the industry there are some differences in classification of certain member related transactions in the SOCMB such as the refund of tax on fees and premiums, however, the differences are not material and hence no further guidance is required.
8	Deloitte	The SOCMB provides a clear breakdown of change affecting member benefits enabling users to see how benefits have moved through the year. The AASB could consider requiring: (a) narrative disclosures explaining the net change in member benefits to provide further clarity of investment income and expenses allocated to member accounts. (b) further breakdown of benefits to members – for example, transfers out versus other benefit payments [AASB 1056.11(e)].

Topic 3: Classification/disclosure of revenues and expenses

> Do you have any comments or suggestions regarding the AASB 1056 requirements or guidance on classifying and disclosing revenue and expenses?
>
> If you consider there should be changes to the requirements or consider additional guidance is needed, please indicate the nature of those changes or guidance and your reasoning.

Respondent		Summarised respondent comments
1	CA ANZ and CPAA	No changes to the classification or disclosure of revenue or expenses is recommended. Sufficient information is reported to members through prudential reporting to APRA. Many users rely on information relating to

Respondent		Summarised respondent comments
		investment fund performance and the corresponding fees which are not derived from GPFS. Where useful information is available through other prudential or legislative reporting mechanisms, such information could supplement or operate along with the AASB 1056 requirements.
2	AustralianSuper	In general, income/expense disclosure requirements in AASB 1056 should be limited to superannuation specific items. Whilst we consider AASB 1056 plays a role in providing transparent disclosures to users of superannuation funds' GPFS, it should be the primary source of disclosure requirements for granular items of revenue or expenses. Therefore, the requirement to disclose the following expenses should be removed: (a) *Audit fees* (AASB 1056.AG29(g)) as it duplicates the disclosure requirement in AASB 1054.10 and 11.[5] (b) *Sponsorship and advertising* (AASB 1056.AG29(j)) as it overlaps disclosure requirements in the Annual Member Meeting regulations and APRA form SRS 332.0.[6]
3	ASFA	AASB 1056.9 and AASB 1056.AG29 are clear and specific on the classification and disclosure of key income and expenses line items. Regulation 2.10 of the SIS Regulations requires specific expenses incurred by the trustee on behalf of the superannuation entity to be included in the AMM Statement, which includes an itemised list of expenditure with respect to related parties, marketing and sponsorships and made available to members one week prior to the AMM. Any requirements to disclose specific expenses in the GPFS that are disclosed in the AMM Statement will create duplication of information and result in unnecessary costs to members. Further related party reporting requirements will apply as part of Phase 2 of the APRA Super Data Transformation Program. ASFA suggest the AASB should revisit proposed revenue and expense reporting changes to AASB 1056 after the IASB releases its IAS 1 *Presentation of Financial Statements* replacement.
4	Aware Super	The current requirements are fit-for-purpose, with AASB 1056 currently providing clear guidance on the classification and disclosure of income and expense items, making information across the industry comparable and easy for users to understand. Trustees are also required to provide itemised expenses to members as part of the AMM reporting requirements, and to APRA as part of the Superannuation Data Transformation project. APRA is currently consulting on proposals to publish the expense data captured in the APRA reporting forms.

5 AASB 1054 *Australian Additional Disclosures*

6 Reporting Standard SRS 332.0 *Expenses*, last updated March 2023.

Respondent		Summarised respondent comments
		Requiring further disclosure in the statutory financial statements would duplicate existing expense reporting requirements, resulting in additional cost.
5	Mercer	No comments.
6	ART	No comments.
7	PwC	AASB 1056 requirements and guidance on classifying and disclosing revenue and expenses are fit for purpose in respect to the objective of financial reporting. We note the APRA Superannuation Data Transformation project and the AMM expenditure disclosure requirements provide supplementary detailed, disaggregated disclosure of expenses including, on specific items, on a look-through basis. Additionally, APRA is proposing public disclosure of expense and asset allocation data provided as part of existing APRA reporting forms. These disclosures go beyond GPFS objectives and should adequately address any stakeholder information needs without fundamentally changing the objectives of AASB 1056.
8	Deloitte	The granularity of APRA reporting under SRF 331 *Services* and SRF 332 *Expenses* long with AMM disclosures it is debatable as to whether any further disclosure should be required by AASB 1056. However, there are differences between the industry reporting and AASB 1056 reporting: (a) AMM reporting is on a cash basis while AASB 1056 an SRF 332 are on an accrual basis. (b) AMM refers to 'marketing' expenses while AASB 1056 refers to 'sponsorship and advertising.' (c) Members transactions under SRF 330 Statement of Financial Performance do not align with 'income' under AASB 1056.

Topic 4: Fair value asset measurement

Do you have any comments or suggestions regarding the AASB 1056 requirements or guidance on fair valuing assets and liabilities? If you consider there should be changes to the requirements or consider additional guidance is needed, please indicate the nature of those changes or guidance and your reasoning.

Respondent		Summarised respondent comments
1	CA ANZ and CPAA	Measurement or valuation concerns are mainly caused by processes and operational limitations which are not attributed to AASB 1056 or AASB 13 *Fair Value Measurement*. However, valuation conducted by the superannuation industry could benefit from additional industry-specific guidance for more complex and judgemental valuations involving level 2 and 3 inputs as defined in AASB 13. It was recommended that the AASB consults with the regulators and industry practitioners to develop application guidance to address the valuation of unlisted investments held by superannuation entities.
2	AustralianSuper	The current AASB 1056 requirements and guidance on fair valuing assets and liabilities are appropriate and no changes are necessary.
3	ASFA	No comments.
4	Aware Super	The current requirements under AASB 1056 for fair value measurement of assets and liabilities are appropriate. The challenges around the timing of the fair valuation of assets are not unique to AASB 1056 and equally impact entities applying AASB 13. APRA has been active in issuing a revised SPS 530 *Investment Governance in Superannuation*, which provides further clarity for trustees to ensure valuation practices are appropriate.
5	Mercer	No comments.
6	ART	No comments.
7	PwC	The basis for measurement of assets and liabilities at fair value in AAAB 1056 is consistent with other reporting entities. The AASB 1056 fair value measurement requirements, including accompanying and other published guidance, are adequate and there is no need for further requirements or guidance. Further, APRA has: (a) issued a revised Superannuation Prudential Standard 530 which includes a new requirement for Trustees to develop, maintain and implement an effective valuation governance framework. (b) conducted thematic reviews of investment valuation practices, particularly for unlisted investments with the objective of improving valuation oversight and practices.
8	Deloitte	The current fair value requirements provide useful information for members and AASB 13 provides appropriate guidance. However, Deloitte recommend additional guidance is provided on level 2 and 3 illiquid assets, and the associated disclosures because they make up an increasing proportion of superannuation assets (while acknowledging APRA's work to provide best practice guidance).

Topic 5: Insurance arrangements

Do you have any comments or suggestions regarding the AASB 1056 requirements or guidance on insurance arrangements? If you consider there should be changes to the requirements or consider additional guidance is needed, please indicate the nature of those changes or guidance and your reasoning.

Respondent		Summarised respondent comments
1	CA ANZ and CPAA	No comments.
2	AustralianSuper	Australian Super believe that the current AASB 1056 requirements and guidance on insurance arrangements are appropriate and do not consider any changes are necessary. No comment was made in relation to insurance arrangements of defined benefit plans as AustralianSuper does not have defined benefit plans.
3	ASFA	No comments.
4	Aware Super	No comments.
5	Mercer	No comments.
6	ART	No comments.
7	PwC	SIS Regulation 4.07E restricts the circumstances whereby a superannuation fund may self-insure. In the few circumstances where self-insurance is currently permitted, the liabilities are generally considered immaterial. There is diversity in practice in the accounting treatment of premium rebates[7] however such rebates are generally considered immaterial and PwC do not suggest that further requirements or guidance is necessary in AASB 1056. However there is also inconsistency from a member level perspective in how rebates are: described in Product Disclosure Statements; recorded in member accounts; and disclosed on member periodic statements. This is an issue that requires attention by the industry.
8	Deloitte	Deloitte considered there is no need for further guidance.

Topic 6: Subsidiaries

Do you have any comments or suggestions regarding the accounting for subsidiaries under AASB 1056 requirements, including whether any enhancements are required?

7 Some rebates from third-party insurers are treated as revenue and others as an offset to expenses.

If you consider there should be changes to the accounting for subsidiaries, please indicate the nature of those changes and your reasoning.

Respondent		Summarised respondent comments
1	CA ANZ and CPAA	Consolidated information that includes subsidiaries that are service entities does not provide useful information to the readers of GPFS. Many superannuation entities do not consolidate such entities because they are not material.
2	AustralianSuper	Consideration should be given to requiring a one-line consolidation of service/operating subsidiaries on the basis that there is no substantive difference between a superannuation entity that outsources investment management and other services compared with undertaking those activities via subsidiaries. Regardless of any changes to the consolidation requirements of service/operating subsidiaries, there should be no change to the requirement for superannuation funds to recognise investment subsidiaries at fair value.
3	ASFA	Presentation of consolidated financial statements for superannuation entities using the four-column format,[8] and including investment management and service subsidiaries that are not material, would increase the difficulty of interpreting the financial information, be confusing for users and members and increase the risk of misinterpretation. Users of GPFS are interested in the overall performance of the superannuation entity. Member organisations have submitted that the concept of a consolidated and an unconsolidated view is not practical and would add little usable information for members and other users of GPFS.
4	Aware Super	The current practice under AASB 1056 of accounting for operating subsidiaries (that is, subsidiaries that provide services to funds that are not in the nature of investments) is appropriate. These subsidiaries are typically immaterial at the fund level and line-by-line consolidations are unlikely to be significantly different from the current single-line consolidation. Further, funds are already required to disclose relevant information to users via the related party disclosures in the financial statements. Requiring a line-by-line consolidation would incur additional cost for unclear benefit.
5	Mercer	No comments.
6	ART	No comments.
7	PwC	Most subsidiaries qualify as investments at fair value. Subsidiaries that provide services relating to the investment entity's investment activities, in theory, must be consolidated; however, they are generally immaterial.

8 Parent current period and prior year; and Consolidated current year and prior year.

Respondent		Summarised respondent comments
		If superannuation entities were to consolidate their service entities on a line-by-line basis it is unlikely to produce materially different information from the single-line item presentation that is the main practice today. Related party disclosures provide users with sufficient information relating to subsidiaries and their relationship with the fund.
8	Deloitte	Under the current requirements, controlled entities whose main purpose is providing services are to be consolidated when they may have a material impact on the financial position, financial performance or cash flows of a superannuation entity. The AASB should consider expanding its current guidance on the circumstances in which controlled entities might be considered not to have a material impact. As an example, unless a subsidiary is delivering substantial and material services to external parties, there would be limited additional information arising from consolidation.

Topic 7: Trends affecting superannuation entity reporting

> Do you have any comments or suggestions regarding the accounting that may be needed to address issues that emerge from trends in the superannuation industry, including trends in product development?
>
> If so, please describe the trend(s) you have in mind and the accounting response(s) that you consider necessary and your reasoning.

Respondent		Summarised respondent comments
1	CA ANZ and CPAA	We note there are changing trends for members approaching the retirement phase and the likely increase in income products offered by various superannuation funds. It is also too early to assess the impact at present and therefore we are unable to ascertain what, if any, the accounting and financial reporting implications of these emerging trends may be. It was recommended this topic be monitored as part of the future AASB work plan.
2	AustralianSuper	Generally speaking, recent trends affecting the superannuation industry have been dealt with by APRA's reporting regime under its Superannuation Data Transformation program and as such, we do not see a need for major changes to AASB 1056. However, a key industry trend is the increasing number of members moving into the retirement phase over the next decade. The AASB may consider requiring disclosure of member liabilities separated into accumulation phase balances and pension phase balances to provide users with an insight into the different risk profile of a fund's member liabilities.

Respondent		Summarised respondent comments
3	ASFA	No comments.
4	Aware Super	No comments.
5	Mercer	The increased focus on the retirement phase of superannuation is likely to lead to the development of new and innovative types of retirement income products. Mercer support the AASB maintaining a watching brief, but it is important not to stifle innovation by imposing potentially onerous requirements for how they are valued in GPFS.
6	ART	No comments.
7	PwC	The **Retirement Income Covenant** will continue to influence the future landscape of retirement products. PwC expect to see an increase in the number of annuity type products available to superannuation members. Due to the restrictions on self-insurance, superannuation entities are expected to act as agents in providing these products to members and the existing insurance arrangements included within AASB 1056 would apply. There is not a current need to change existing accounting requirements in response to this industry development. PwC recommend the AASB consider revisiting this aspect in 3-5 years at which time new and amended pension products will be more mature and associated risks and rewards better understood. The existing requirement to disaggregate SOCMB disclosures by defined contribution and defined benefit products is currently sufficient information for users regarding the risks and benefits associated with the two main categories of superannuation. **Climate-related disclosure standards** – financial statement preparers should be encouraged to include more disclosure on Environmental, Social and Governance (ESG) matters and their impact on the financial statements. **Fund structure and operations** – with the change to financial reporting requirements for RSEs in 2024, including the requirement to include a Directors' report, financial statement preparers should be encouraged to include more disclosure on the structure of funds and their operations.
8	Deloitte	It is not necessary for GPFS to encompass **product-related issues**. Current industry trends are comprehensively covered in other disclosures outside the financial statements. With the move to mandatory **sustainability reporting**, Deloitte recommend the AASB assess how it will be implemented by superannuation entities, in view of their significant investment portfolios across all asset classes.

Topic 8: Interpretation 1019[9]

Do you have any comments or suggestions in respect of Interpretation 1019? In particular, do you consider that Interpretation 1019 should be retained, modified or withdrawn? Please indicate the reasons for your view. If you consider Interpretation 1019 should be modified, please indicate the nature of those modifications and your reasoning.

Respondent		Summarised respondent comments
1	CA ANZ and CPAA	There remain surcharge balances in some public, not-for-profit sector, and defined benefit funds. The *Treasury Laws Amendment (Better Targeted Superannuation Concessions) Bill 2023 and the Superannuation (Better Targeted Superannuation Concessions) Imposition Bill 2023* proposes a new Division 296 of the ITAA from 1 July 2025. It confirms defined benefit schemes will be included in the $3 million cap, albeit with special rules for modified treatment. The accounting for any excess tax arising from this legislative change may have to be considered by the AASB. It was recommended that Interpretation 1019 be retained but modified to address accounting for taxes more broadly that are treated in a similar way as the former superannuation surcharge (Division 293 and the putative Division 296). Applying Interpretation 1019 by analogy is inappropriate when accounting for complex tax-related matters.
2	AustralianSuper	Australian Super believe Interpretation 1019 should be withdrawn. The interpretation was issued to address a specific tax (surcharge) which is no longer relevant. The surcharge that the interpretation dealt with was levied on the superannuation fund, whereas excess contribution taxes are levied on the member. Members can elect to deal with excess contribution taxes in various ways; for example, members can withdraw the excess contribution, have the tax deducted from their existing super balance, or pay the tax separately. Therefore, the existing interpretation is no longer directly relevant, and there is no need for a separate interpretation to deal with excess contribution taxes.
3	ASFA	No comments.
4	Aware Super	No comments.
5	Mercer	Mercer considers Interpretation 1019 should be retained as some funds may still have surcharge balances. Alternatively, the Interpretation could be modified (expanded) to provide specific guidance on Division 293 tax, which works in a similar fashion.
6	ART	No comments.

9 Interpretation 1019 *The Superannuation Contributions Surcharge*

Respondent		Summarised respondent comments
7	PwC	Very few, if any, funds include any disclosures regarding the superannuation contributions surcharge and any amounts are immaterial or nil. Hence PwC do not consider Interpretation 1019 necessary and could be withdrawn.
8	Deloitte	There would be no impact from an audit perspective whether Interpretation 1019 is retained or removed.

Topic 9: Any other matters affecting AASB 1056 or Interpretation 1019

> Do you have any other matters relating to AASB 1056 or Interpretation 1019, in addition to the matters raised above for Topics 1 to 8, that you wish to raise?
>
> If so, please explain those matters, what you think should be done and why.

Respondent		Summarised respondent comments
1	CA ANZ and CPAA	No comments.
2	AustralianSuper	No comments.
3	ASFA	No comments.
4	Aware Super	No comments.
5	Mercer	No comments.
6	ART	No comments.
7	PwC	There continues to be significant consolidation of superannuation funds achieved through successor fund transfers (SFTs) with notable inconsistency in related disclosures included within both the transferring and receiving funds. PwC's Value Accounts Superannuation Fund template includes an illustrative for a SFT. The transferring fund would typically include a note that details its balance sheet immediately prior to the transfer. The receiving fund would typically include a note that explains the terms of the SFT and the value of member balances transferred which is recognised in the SOCMB. PwC suggested the AASB consider including disclosure requirements in AASB 1056 relating to SFTs and include a suggested example disclosure.[10]

10 Refer to Appendix A for relevant extracts from AASB 3 *Business Combinations* and from PwC's submission on ITC 54 in relation to SFTs.

Respondent		Summarised respondent comments
8	Deloitte	There is a need for guidance on accounting for SFTs. For example, there is no purchase consideration as it is a transition of member liabilities and investment assets.

AASB general matters for comment

Question 10: Adverse regulatory impacts?

Does the application of the requirements in AASB 1056 and Interpretation 1019 adversely affect any regulatory requirements for superannuation entities?

Respondent		Summarised respondent comments
1	CA ANZ and CPAA	None of the feedback received suggests that the application of the requirements in AASB 1056 and Interpretation 1019 adversely impact the regulatory requirements for superannuation entities.
2	AustralianSuper	No comments.
3	ASFA	No comments.
4	Aware Super	No comments.
5	Mercer	No comments.
6	ART	No comments.
7	PwC	No comments.
8	Deloitte	There is no clear linkage between AASB 1056 and the regulatory requirements of the SIS Act and other relevant legislation. For example, SPS 530 *Investment Governance in Superannuation* should be linked to AASB 13 and AASB 1056 – see Topic 4 above.

Question 11: Auditing/assurance challenges?

Does the application of the requirements in AASB 1056 and Interpretation 1019 result in major auditing or assurance challenges?

Respondent		Summarised respondent comments
1	CA ANZ and CPAA	Based on our outreach activities, we do not believe the requirements give rise to major auditing or assurance challenges.
2	AustralianSuper	Not that AustralianSuper is aware of.

Respondent		Summarised respondent comments
3	ASFA	No comments
4	Aware Super	No comments
5	Mercer	No comments
6	ART	No comments
7	PwC	No comments
8	Deloitte	No major auditing or assurance challenges. However, if sub-fund reporting were introduced it would add significant costs, depending on the entity structure.

Question 12: Useful financial statements?

Overall, do the requirements in AASB 1056 and Interpretation 1019 result in financial statements that are useful to users of superannuation entity financial statements?

Respondent		Summarised respondent comments
1	CA ANZ and CPAA	The requirements in AASB 1056 and Interpretation 1019 have provided the right balance of effort for preparers/auditors whilst satisfying the information needs of users of the financial statements. However, members often rely on information relating to investment fund performance and the corresponding fees which is not derived from the GPFS of the superannuation entity.
2	AustralianSuper	Members are primarily interested in their own member statement which gives insights into the financial performance and position of their personal superannuation account. However, to the extent that a member or other user is interested in the financial performance and position of the fund as a whole, the requirements of AASB 1056 result in GPFS that satisfy this need.
3	ASFA	No comments.
4	Aware Super	No comments.
5	Mercer	No comments.
6	ART	No comments.
7	PwC	No comments.
8	Deloitte	The requirements in AASB 1056 are useful from a governance and operational lens.

Question 13: Benefits exceed costs?

> In your view, do the benefits of applying the requirements in AASB 1056 and Interpretation 1019 exceed the implementation and ongoing application costs for Superannuation entities?

Respondent		Summarised respondent comments
1	CA ANZ and CPAA	Broadly, the benefits of applying AASB 1056 and Interpretation 1019 exceed the costs.
2	AustralianSuper	The benefits of applying AASB 1056 exceed the implementation and ongoing application costs. Refer to Australian Super's response to Topic 8 on Interpretation 1019.
3	ASFA	No comments.
4	Aware Super	No comments.
5	Mercer	No comments.
6	ART	No comments.
7	PwC	No comments.
8	Deloitte	The benefits of applying AASB 1056 and Interpretation 1019 exceed the implementation and ongoing costs for superannuation entities.

Appendix A

Successor Fund Transfers

Extracts from AASB 3 Business Combinations

B64 To meet the objective in paragraph 59, the acquirer shall disclose the following information for each business combination that occurs during the reporting period:

(a) the name and a description of the acquiree.

(b) the acquisition date.

(c) the percentage of voting equity interests acquired.

(d) the primary reasons for the business combination and a description of how the acquirer obtained control of the acquiree.

(e) a qualitative description of the factors that make up the goodwill recognised, such as expected synergies from combining operations of the acquiree and the acquirer, intangible assets that do not qualify for separate recognition or other factors.

(f) the acquisition-date fair value of the total consideration transferred and the acquisition-date fair value of each major class of consideration, such as:

(i) cash;

(ii) other tangible or intangible assets, including a business or subsidiary of the acquirer;

(iii) liabilities incurred, for example, a liability for contingent consideration; and

(iv) equity interests of the acquirer, including the number of instruments or interests issued or issuable and the method of measuring the fair value of those instruments or interests.

(g) for contingent consideration arrangements and indemnification assets:

(i) the amount recognised as of the acquisition date;

(ii) a description of the arrangement and the basis for determining the amount of the payment; and

(iii) an estimate of the range of outcomes (undiscounted) or, if a range cannot be estimated, that fact and the reasons why a range cannot be estimated. If the maximum amount of the payment is unlimited, the acquirer shall disclose that fact.

(h) for acquired receivables:

(i) the fair value of the receivables;

(ii) the gross contractual amounts receivable; and

(iii) the best estimate at the acquisition date of the contractual cash flows not expected to be collected. The disclosures shall be provided by major class of receivable, such as loans, direct finance leases and any other class of receivables.

(i) the amounts recognised as of the acquisition date for each major class of assets acquired and liabilities assumed.

(j) for each contingent liability recognised in accordance with paragraph 23, the information required in paragraph 85 of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. If a contingent liability is not recognised because its fair value cannot be measured reliably, the acquirer shall disclose:

(i) the information required by paragraph 86 of AASB 137; and

(ii) the reasons why the liability cannot be measured reliably.

(k) the total amount of goodwill that is expected to be deductible for tax purposes.

(l) for transactions that are recognised separately from the acquisition of assets and assumption of liabilities in the business combination in accordance with paragraph 51:

  (i) a description of each transaction;

  (ii) how the acquirer accounted for each transaction;

  (iii) the amounts recognised for each transaction and the line item in the financial statements in which each amount is recognised; and

  (iv) if the transaction is the effective settlement of a pre-existing relationship, the method used to determine the settlement amount.

(m) the disclosure of separately recognised transactions required by (l) shall include the amount of acquisition-related costs and, separately, the amount of those costs recognised as an expense and the line item or items in the statement of comprehensive income in which those expenses are recognised. The amount of any issue costs not recognised as an expense and how they were recognised shall also be disclosed.

(n) in a bargain purchase (see paragraphs 34–36):

  (i) the amount of any gain recognised in accordance with paragraph 34 and the line item in the statement of comprehensive income in which the gain is recognised; and

  (ii) a description of the reasons why the transaction resulted in a gain.

(o) for each business combination in which the acquirer holds less than 100 per cent of the equity interests in the acquiree at the acquisition date:

  (i) the amount of the non-controlling interest in the acquiree recognised at the acquisition date and the measurement basis for that amount; and

  (ii) for each non-controlling interest in an acquiree measured at fair value, the valuation technique(s) and significant inputs used to measure that value.

(p) in a business combination achieved in stages:

  (i) the acquisition-date fair value of the equity interest in the acquiree held by the acquirer immediately before the acquisition date; and

  (ii) the amount of any gain or loss recognised as a result of remeasuring to fair value the equity interest in the acquiree held by the acquirer before the business combination (see paragraph 42) and the line item in the statement of comprehensive income in which that gain or loss is recognised.

(q) the following information:

  (i) the amounts of revenue and profit or loss of the acquiree since the acquisition date included in the consolidated statement of comprehensive income for the reporting period; and

  (ii) the revenue and profit or loss of the combined entity for the current reporting period as though the acquisition date for all business combinations that occurred during the year had been as of the beginning of the annual reporting period. If disclosure of any of the information required by this subparagraph is impracticable, the acquirer shall disclose that fact and explain why the disclosure is impracticable. This Standard uses the term 'impracticable' with the same meaning as in AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

B65 For individually immaterial business combinations occurring during the reporting period that are material collectively, the acquirer shall disclose in aggregate the information required by paragraph B64(e)–(q).

B66 If the acquisition date of a business combination is after the end of the reporting period but before the financial statements are authorised for issue, the acquirer shall disclose the information required by paragraph B64 unless the initial accounting for the business combination is incomplete at the time the financial statements are authorised for issue. In that situation, the acquirer shall describe which disclosures could not be made and the reasons why they cannot be made.

Extract from PwC submission

Note X. Successor Fund Transfer

On [SFT Date], the Fund acquired by successor fund transfer ('SFT') all the assets and liabilities of the XYZ Fund. The net amount transferred to the Fund was $X,XXX,XXX. The assets and liabilities received by the Fund:

	$'000
Assets	
Cash and cash equivalents	
Investments in specie transfer out	
Total assets transferred to successor fund	
Liabilities	
Benefits payable	
Accounts payable and accrued expenses	
Current tax liabilities	
Deferred tax liabilities	
Total liabilities transferred to successor fund	
Net assets transferred to successor fund	
Represented by	
Net assets available to pay member benefits	
Operational risk reserve	
Unallocated surplus	

Note X. Successor Fund Transfer

On [Date] the Trustee boards of [Receiving Fund] and [Transferring Fund] signed a Successor Fund Transfer Deed. The SFT was completed on [Date] and resulted in the non-cash in-species transfer of $[Amount] in member balances.

[Insert/ explain other material terms and conditions associated with the SFT].