

**Staff analysis and proposals in relation to comments received on
ED 179 *Superannuation Plans and Approved Deposit Funds* that are not
directly related to a Specific Matter for Comment**

Note to Members:

[Paragraph omitted from observer notes.]

Background

1. Several of the respondents to ED 179 *Superannuation Plans and Approved Deposit Funds* provided comments regarding issues that are not directly related to a Specific Matter for Comment, including recommendations regarding:
 - (a) alternative terminology or phraseology;
 - (b) the level of detail in the Illustrative examples; and
 - (c) where particular material is located within the document.
2. Accordingly, the purpose of this Agenda paper is to assist the Board in identifying those issues that it:
 - (a) considers should be redeliberated when the Board considers the draft Standard; or
 - (b) does not consider it necessary to redeliberate.
3. This Agenda paper does not discuss issues raised by respondents that have been addressed, either directly or indirectly, by the Board's tentative decisions from its December 2009 meeting. For instance, this Agenda paper does not address comments made by respondents regarding the consolidation proposals in ED 179, including:
 - (a) the treatment of any remeasurement gain or loss attributable to an investment in a subsidiary;
 - (b) Illustrative Example C (Measurement of non-controlling interests) and Illustrative Example D (Measurement of non-controlling interests at fair value of equity); or
 - (c) the classification of cash flows associated with a change in ownership in controlled entities that are designated as 'fair value through profit or loss'.
4. In addition, this Agenda paper does not address comments made by respondents regarding:
 - (a) the terminology used in paragraphs AG13-AG32 of the Application Guidance dealing with the measurement of defined benefit members' accrued benefits; or
 - (b) the drafting of the proposals in relation to insurance contracts.

Staff anticipate that respondents' comments in relation to these issues will be considered, if necessary, when the Board redeliberates them at future meetings.

5. This Agenda paper cross-references to Agenda paper 6.4 to this meeting. Agenda paper 6.4 provides a collation of written comments on ED 179 and is identical to Agenda paper 6.3 to the Board's December 2009 meeting. [Remainder of this paragraph omitted from observer notes.]
6. Staff have endeavoured to reflect faithfully in this Agenda paper the issues raised by respondents. However, in some circumstances staff have exercised judgement in identifying and categorising the main points and interpreting respondents' comments. Consequently, some meaning may have been lost inadvertently in the process of summarisation. Accordingly, this Agenda paper should not be treated as a substitute for the full text of submissions.

7. To assist Board members, Appendix A to this Agenda paper provides a list of the respondents to ED 179, the response number allocated to them and a description of the respondent. In addition, Appendix B to this Agenda paper provides selected paragraphs from ED 179.

Overall presentation of the replacement Standard for AAS 25 *Financial Reporting by Superannuation Plans*

8. One respondent recommended that:
- “We would prefer a more concise version of the standard which only sets out the required accounting principles where the principles of AIFRS are being departed from. The reasons for the departures should be provided. We would prefer that the required disclosures are specified clearly and concisely in the body of the standard instead of including the detail of the disclosure requirements in a set of Application Guidance.” (see Table 17 in Agenda paper 6.4 to this meeting)

Staff analysis

9. Staff concur with the recommendations that the replacement Standard for AAS 25 should:
- (a) be concise;
 - (b) only set out the accounting principles that differ from the corresponding principles in IFRS; and
 - (c) provide clear explanations of the Board’s reasons for any departures from IFRS principles and/or requirements.
10. However, staff consider that the body of the replacement Standard should comprise the accounting principles applicable to superannuation plans and approved deposit funds (ADFs) and most, if not all, of the guidance considered necessary to apply the accounting principles should be contained in an appendix to the replacement Standard (as is the case in ED 179). Staff prefer such an approach because:
- (a) it emphasises the principles-based nature of the replacement Standard;
 - (b) it is consistent with the approach adopted in other Australian Accounting Standards, such as the revised version of AASB 3 *Business Combinations*; and
 - (c) it is consistent with the current approach adopted by the IASB.

Staff views

Staff consider that the replacement Standard for AAS 25 should include a separate appendix comprising all of the application guidance the Board considers necessary to apply the accounting principles described in the body of the Standard.

Presentation of a defined benefit and/or defined contribution ‘deficiency’

11. One respondent noted that:

“...we agree with the requirement to recognise accrued benefits as a liability in the balance sheet as proposed in paragraph 10 of the ED. However, we do note that this may create potentially misleading results for some funds that are forced to present a net asset deficit position because the fund is substantially a defined contribution fund for which the accrued benefits are wholly matched by the amount of assets reported on the balance sheet, but a small defined benefit portion of the fund is underfunded. The balance sheets of pure defined contribution funds may also show a deficit position as at reporting date due to accrued benefit liabilities being measured using ‘stale’ unit prices while assets on the balance sheet are measured using more recent audited values. To ensure that users of the financial statements understand the net asset position of the fund and whether a deficit is due to underfunding of the entire fund or just a particular sub-plan, or whether the deficit is due purely to unit pricing timing differences, we recommend that ED 179 requires the following to be shown on the face of the Balance Sheet:

Net assets available for members’ accrued benefits		5,550	
Less members’ accrued benefits - liability		6,550	
Net assets			<u>(1,000)</u>
Equity			
Reserves			100
Deficit			
Represented by:			
Adjustments arising from different unit pricing and AIFRS valuations		(200)	
Accrued benefit liabilities of ABC defined benefit sub-plan yet to be funded		(900)	<u>(1,100)</u>
			(1,000)

(see Table 2 of Agenda paper 6.4 to this meeting)

Staff analysis

12. While staff concur with the respondent’s comments regarding the potential implications of a plan or fund presenting a defined benefit and/or defined contribution deficiency, staff do not consider that the proposals in ED 179 necessarily prevent a plan or ADF from disclosing additional information that provides users with a basis for understanding the nature of such a deficiency (or surplus for that matter).

13. Paragraph 26 of ED 179 proposes that:

“Where there exists a difference between a superannuation plan’s or approved deposit fund’s total assets and its total liabilities (including defined contribution members’ vested benefits, defined benefit members’ accrued benefits and any obligations to employer sponsors), the plan or fund would present the difference as equity in accordance with applicable Australian Accounting Standards, including paragraphs 79 and 80 of AASB 101 *Presentation of Financial Statements*.”

14. Paragraph 80 of AASB 101 states that:

“An entity without share capital, such as a partnership or trust, shall disclose information equivalent to that required by paragraph 79(a), showing changes during the period in each category of equity interest, and the rights, preferences and restrictions attaching to each category of equity interest.”

Accordingly, under the proposals in ED 179, a plan or fund that recognises, for instance, a defined benefit deficiency and defined contribution surplus, would be expected to disclose information in relation to the rights, preferences and restrictions attaching to both the deficiency and the surplus.

15. It is also relevant to note that paragraph 25(a) of ED 179 proposes that a plan or ADF present, among other things, a statement of financial position in accordance with Australian Accounting Standards. Accordingly, consistent with paragraph 55 of AASB 101, a plan or ADF would:

“...present additional line items, headings and subtotals in the statement of financial position when such presentation is relevant to an understanding of the entity’s financial position.”

16. As noted in paragraph 42 of Agenda paper 6.2 to the Board’s December 2009 meeting, staff consider that example illustrative financial statements for a ‘hybrid’ plan comprising both defined contribution and defined benefit members would assist users, preparers and auditors in understanding how any defined benefit and/or defined contribution surpluses or deficits might be more clearly disclosed.

Staff views

Staff consider that:

- (a) the application guidance in the replacement Standard for AAS 25 should clarify that a plan or ADF that recognises a defined benefit and/or defined contribution ‘surplus’ or ‘deficiency’ should, consistent with paragraph 55 of AASB 101, present additional line items, headings and subtotals in the statement of financial position when such presentation is relevant to an understanding of the entity’s financial position; and
- (b) subject to the Board’s decisions regarding the example illustrative financial statements, the replacement Standard should include example hybrid plan financial statements that demonstrate how a plan or ADF that recognises a defined benefit and/or defined contribution ‘surplus’ or ‘deficiency’ could present such a surplus or deficiency.

Separate presentation of obligations for defined contribution and defined benefit members’ benefits

17. Three respondents raised concerns that a superannuation plan might be permitted or required to present its obligations for defined benefit and defined contribution members’ benefits as a single line in the statement of financial position under the proposals in ED 179. For instance, one respondent noted that:

“For plans that provide defined benefits and defined contribution benefits, Mercer recommends that the vested benefits for both be reported separately to show the relative significance of the defined benefit liabilities.” (see Table 4 in Agenda paper 6.4 to this meeting)

Another noted that:

“In practice many funds like us are hybrid funds. Consequently there are issues associated with this that need attention. One issue is the fact that the liability for member entitlements is being measured differently for defined benefit versus defined contribution funds. Combining these may give an inappropriate result/summary of financial position and has the potential to mislead the users of financial statements.” (see Table 4 in Agenda paper 6.4 to this meeting)

Staff analysis

18. Staff do not consider that a ‘hybrid’ plan would be able to present its obligations for defined benefit and defined contribution members’ benefits as a single line in the statement of financial position under the proposals in ED 179. Because ED 179 proposes that obligations for defined contribution members’ benefits should be measured on a different basis from obligations for defined benefit members’ benefits, staff consider the items to be different in nature and therefore, consistent with the approach under paragraph 59 of AASB 101, would be separately presented in a statement of financial position. Nevertheless, based on respondents’ comments, staff consider that the need for separate presentation should be clarified. In addition, staff consider that, if the Board decides an example set of financial statements for a ‘hybrid’ plan should be included in the replacement Standard for AAS 25, presenting defined contribution and defined benefit members’ benefits separately in the example statement of financial position would arguably assist in addressing this issue.

Staff views

Staff consider that the replacement Standard for AAS 25 should clarify that a ‘hybrid’ plan would present its obligations for defined contribution members’ benefits separately from its obligations for defined benefit members’ benefits in its statement of financial position.

Fair value through profit or loss

19. One respondent noted that:

“We agree that changes in value of superannuation fund assets and liabilities should be recognised in profit or loss. However, there is no reason for superannuation funds to measure these items any differently to managed investment schemes and other entities. Rather than specify the method of measuring superannuation fund financial assets and liabilities, ED 179 should specify that all financial assets and financial liabilities must be designated as ‘at fair value through profit and loss’ in accordance with AASB 139.9(b). The financial assets and liabilities would then be accounted for under AIFRS in the same way that all other financial instruments are accounted for when designated as at fair value through profit and loss.

In relation to non-financial instruments such as property, plant and equipment and investment property, the ED should specify that these items should also be measured at fair value with fair value changes being recognised in profit and loss...” (see Table 3 of Agenda paper 6.4 to this meeting)

Staff analysis

20. Paragraph 22(a) of ED 179 states that:

“All revenues, expenses, gains and losses shall be recognised and presented in accordance with other applicable Australian Accounting Standards, except that:

- (a) all remeasurement changes in assets and liabilities measured at fair value adjusted for transaction costs shall be recognised and presented as gains or losses in the income statement in the period in which they occur...”¹

21. While staff acknowledge that this wording is not identical to the wording used in Australian Accounting Standards such as AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 116 *Property, Plant and Equipment* and AASB 138 *Intangible Assets* in respect of the treatment of remeasurement changes, the requirements in all three Standards are worded differently. In response, staff developed paragraph 22 of ED 179 in an attempt to capture the principles underlying the corresponding paragraphs in AASB 139, AASB 116 and AASB 138 in an efficient and succinct manner. Accordingly, staff consider the wording in paragraph 22(a) of ED 179:

- (a) would clearly convey to preparers, auditors and users the treatment required for remeasurement changes in all assets and liabilities measured at fair value; and
- (b) yields arguably the same accounting outcomes as the equivalent wording in other Australian Accounting Standards.

Staff views

Staff consider that the wording in paragraph 22(a) of ED 179 should be retained in the replacement Standard for AAS 25 subject to the Board’s December 2009 tentative decision not to permit the carrying amounts of assets and liabilities measured at fair value to be adjusted for transaction (anticipated selling) costs.

¹ At its December 2009 meeting, the Board tentatively decided not to permit the carrying amounts of assets and liabilities measured at fair value to be adjusted for transaction (anticipated selling) costs.

Definition of vested benefits

22. One respondent raised concerns with the applicability of the definition of vested benefits in the context of defined benefit members. The respondent suggested that:

“We also suggest the definition of ‘vested benefits’ in Appendix A be refined to acknowledge the situation in defined benefit funds where a member is only entitled to the benefit on departure from the employer sponsor.”

Staff analysis

23. ‘Vested benefits’ is defined in ED 179 as:

“The benefits to which members or their beneficiaries would be entitled on withdrawal from the superannuation plan or approved deposit fund at the end of the reporting period.”

24. Paragraph 14 of ED 179 proposes that a plan or ADF measure its obligations for defined contribution members’ vested benefits at the amount payable to, or on behalf of, such members on demand. In addition, paragraph AG89(a) of ED 179 requires a plan to disclose the amount of any defined benefit members’ vested benefits at the end of each reporting period (see Appendix B to this Agenda paper). Accordingly, the definition of vested benefits has been drafted so that it can be applied in respect of defined contribution and defined benefit members.
25. For a plan with defined contribution members only or an ADF, the amount of its obligation for a member’s benefits would not change as a consequence of the:
- (a) timing of the member’s departure from their employer’s service; or
 - (b) the circumstances in which the member departs their employer (eg, resigned, retrenched or retired).
26. However, depending upon the nature of the benefits provided under the relevant trust deed, a defined benefit member may be entitled to different benefits as a consequence of the timing and circumstances in which they leave the service of their employer sponsor. For instance, some plans provide more generous benefits to defined benefit members that are retrenched as compared to those that resign before reaching retirement age. In addition, a defined benefit member that voluntarily resigns from their employer may, depending upon the requirements under the trust deed:
- (a) be permitted to remain a member of the defined benefit section of their plan;
 - (b) be required to have their benefits transferred into the defined contribution section of the plan; or
 - (c) be required to have their benefits transferred to another plan (where they would be treated as a defined contribution member).

Accordingly, a defined benefit member could leave the service of their employer and continue to be a member of their employer’s plan.

27. While staff acknowledge that some defined benefit members would only be entitled to their vested benefits upon departure from their employer, and that the departure from their employer may not be sufficient to require them to withdraw from their plan, staff do not recommend amending the definition of vested benefits to include departure from an employer as a characteristic. This is because:
- (a) while most defined benefit members withdraw from their plans as a consequence of leaving their employer's service, it is possible (although unusual) for defined benefit members to voluntarily withdraw from either the defined benefit sections of their plans or from the plans themselves without leaving their employer's service. In such circumstances, a defined benefit member would generally be entitled to their vested benefits (member contributions *plus* vesting employer contributions *plus* estimated net investment earnings thereon);
 - (b) departure from an employer is not a feature of vested benefits in a defined contribution or ADF context. Accordingly, amending the definition of vested benefits to include a reference to departure from an employer's service could diminish the relevance of the definition in a defined contribution or ADF context; and
 - (c) it would be inconsistent with the reporting proposals and other definitions in ED 179, which focus on the plan or ADF rather than the member's employer.
28. Nevertheless, staff do consider that the definition of vested benefits could be improved by clarifying that:
- (a) the basis for a member's withdrawal from the plan or ADF is voluntary; and
 - (b) in a defined benefit context, withdrawal could be interpreted to mean voluntary withdrawal from either the defined benefit section of the plan or the plan itself.
29. In addition, staff note that the definitions of vested benefits provided in the *Superannuation Industry (Supervision) Act* (1993) (section 83A) and by the Institute of Actuaries of Australia (paragraph 29 of PS400 *Investigations of Defined Benefit Superannuation Funds*) emphasise that they are the benefits members would be entitled to if they voluntarily resigned or retired.

Staff views

Staff consider that:

- (a) the definition of vested benefits should be amended as follows:
 - “The benefits to which members or their beneficiaries would be entitled on [voluntary](#) withdrawal from the superannuation plan or approved deposit fund at the end of the reporting period”; and
- (b) the replacement Standard for AAS 25 should clarify that, in the context of defined benefit members' vested benefits, the term 'withdrawal' could be interpreted to mean voluntary withdrawal by the member from either the defined benefit section of the plan or from the plan itself.

Definition of a defined benefit member

30. One respondent raised concerns with the manner in which the term ‘defined benefit member’ is defined in ED 179. The respondent noted that:

“...ED 179 Appendix A defines a defined benefit member as ‘A member whose benefits are specified, or are determined, at least in part, by reference to a formula based on their years of membership and/or salary level’. This definition is not risk based. Further, it is not consistent with AASB 119 that defines DBP (by exclusion relative to a DCP) where there is a legal or constructive obligation to pay further contributions in the event of insufficient fund assets to pay all employee benefits. To the extent that the definition of the DBP in ED 179 is not risk based, then the discussion in paragraph AG62 re the sponsor’s credit risk is redundant. That is, if the sponsoring employer does not accept the investment risk of the DBP (a situation possible under the current ED 179 definition of a DBP), there is no difference between a DBP and a DCP, and the bankruptcy risk of the sponsor is no longer relevant to the DBP member (and the discussion in para. AG62 is irrelevant)...” (see Table 20 in Agenda paper 6.4 to this meeting)

Staff analysis

31. Staff acknowledge that, from an employer sponsor’s perspective, investment risk is a common characteristic of defined benefit arrangements. Nevertheless, it is not a defining characteristic of such arrangements. For instance, employer sponsors of unfunded defined benefit public sector schemes would have no exposure to investment risk. In these circumstances, the main risks to which an employer sponsor of defined benefit arrangements is exposed to are:
- (a) general and specific price (wages and salaries) changes; and
 - (b) rates of member turnover, mortality and disability.
32. Staff do not consider the discussion in paragraph AG62 of ED 179 (see Appendix B to this Agenda paper) regarding an employer sponsor’s credit risk to be redundant because the definition of a defined benefit member does not incorporate investment risk. Paragraph AG62 confirms that plan is required to make disclosures regarding the estimated capacity of its employer sponsor or sponsors to make sufficient contributions in the immediate future. Staff consider these disclosures to be useful for users, particularly members, in understanding the plan’s capacity to meet defined benefit members’ entitlements in the future, irrespective of whether the plan is fully funded, partly funded or unfunded.

Staff views

Staff consider that the definition of a defined benefit member in Appendix A in ED 179 should be retained in the replacement Standard for AAS 25.

‘Bid’ and ‘mid’ prices

33. One respondent expressed concern with the proposal that assets be measured at ‘bid’ prices and liabilities be measured at ‘ask’ prices. The respondent noted that:

“This proposal in itself presents a change to the valuation of the investments, in our view. For superannuation plans whose unit price is struck at net market value (as currently the case), this difference in pricing method would present a reconciliation discrepancy between the value of investments used for unit pricing and financial reporting purposes. This, in turn, will create an impact on the plans. We recommend the AASB reconsider this proposal. In the event that the proposal is proceeded, we recommend the impact resulting from the difference in the two pricing methods be explained in the Basis for Conclusions.” (see Table 3 of Agenda paper 6.4 to this meeting).

Staff analysis

34. As noted in paragraph 25 of Agenda paper 6.2 to the Board’s December 2009 meeting, staff acknowledge that the requirement to use ‘bid’ prices for assets would potentially create a discrepancy between the value of a plan’s assets for unit pricing and financial reporting purposes if the plan was using, for instance, ‘mid’ prices for the purpose of unit pricing. However, staff note that entities reporting under AAS 25 should, in principle, be measuring their assets at bid prices because the Standard is based on an exit value model. Staff understand that some plans and ADFs are currently measuring their assets at their mid prices, presumably because the differences between bid and mid prices are not material. Nevertheless, the ED 179 proposals are consistent with the current requirements under AAS 25.
35. Staff note that, at its December 2009 meeting, the Board tentatively decided that, consistent with ED 179, a plan or fund should determine the fair value of an asset or liability in accordance with the IASB’s forthcoming Fair Value Measurement Standard. Staff note that paragraph 15 of ED/2009/5 *Fair Value Measurement* proposes that:

“Fair value is the price that would be received to sell an asset or paid to transfer a liability in the most advantageous market at the measurement date (an exit price), whether that price is directly observable to estimated using a valuation technique.”

Staff views

Staff do not consider that the Basis for Conclusions to ED 179 should be amended to explain the impact resulting from a plan or fund using ‘bid’ prices for assets and ‘ask’ prices for liabilities for financial reporting purposes and ‘mid’ prices for unit pricing purposes.

Disclosure of investment management fees

36. One respondent recommended enhanced disclosure requirements in relation to investment management fees. [Remainder of paragraph omitted from observer notes.]

Staff views

Staff consider that, consistent with a respondent's recommendations, paragraph AG54 of ED 179 should be amended as follows:

“To provide users with a basis for understanding the nature and amount of a superannuation plan's or approved deposit fund's expense items, the plan or fund separately discloses, as a minimum, the following items when relevant:

- (a) administration expenses;
- (b) investment [management fees](#);
- (c) [other investment related](#) expenses such as ~~investment manager fees~~, investment consultant fees and custodian fees;
- (~~d~~e) actuarial fees;
- (~~e~~d) audit fees;
- (~~f~~e) insurance contract expenses;
- (~~g~~f) commissions paid directly by the entity;
- (~~h~~g) trustee fees and reimbursements; and
- (~~i~~h) advertising and sponsorship expenses.”

Disclosures in relation to defined benefit members' benefits and any defined benefit 'surplus' or 'deficiency'

37. Two respondents suggested that the proposals in relation to defined benefit arrangements should be amended to require the disclosure of additional information. Table A below provides respondents' detailed comments and staff's analysis in relation to the comments.

Table A – Respondents’ recommendations regarding disclosures in relation to defined benefit arrangements

Respondent’s comments	Staff’s analysis
<p>“Also, for the DBP, reference should be made in the notes to the accounts to the trust deed clause that details the sponsor’s guarantee of the DBP deficit so that users of the financial statements are clear that this guarantee is currently in place.”</p>	<p>Paragraph AG89(d) of ED 179 proposes that a plan or ADF disclose details of any guarantees provided in relation to members’ or their beneficiaries’ benefits, including the identity of the guarantor and the nature of the guarantee (see Appendix B to this Agenda paper). Accordingly, staff do not recommend any amendments to the proposals in ED 179 in relation to this matter.</p>
<p>“Contribution holidays by the sponsoring employer should be clearly disclosed. It should also be clear to what group of members this applies.”</p>	<p>Paragraph AG89(e) and (f) require a plan to disclose the actuary’s recommended level of contributions in respect of defined benefit members for the reporting period, whether the level of contributions received during the reporting period was consistent with the actuary’s recommendations, and the actuary’s recommended contributions in respect of defined benefit members in the next reporting period (See Appendix B to this Agenda paper). Staff consider that these proposals would be sufficient to facilitate adequate disclosures in relation to ‘contributions holidays’. Accordingly, staff do not recommend any amendments to the proposals in ED 179 in relation to this matter.</p>
<p>“If the actuary’s report is presented separately from the plan’s financial accounts, it is difficult to see how the audit report can be interpreted separately from the actuary’s report. The actuary’s report should be presented as part of the plan’s financial statements.”</p>	<p>At its December 2009 meeting, the Board tentatively decided that the replacement Standard for AAS 25 should identify the overriding measurement objective for defined benefit obligations as fair value, noting it is likely to be a level 3 measurement, whereby obligations for defined benefit members’ accrued benefits would be measured in accordance with the (unmodified) approach under AASB 119 <i>Employee Benefits</i> for defined benefit obligations. As preparers and auditors are likely to adopt different assumptions in determining the amount of a plan’s obligations for defined benefit members’ accrued benefits for the purpose of an actuarial review than they would adopt under either a fair value model or the approach in AASB 119 for defined benefit obligations, staff do not consider that the replacement Standard for AAS 25 should require a copy or summary of the most recent actuarial report to be appended to the plan’s financial report (as is currently required under AAS 25). Accordingly, staff do not recommend any amendments to the proposals in ED 179 in relation to this matter.</p>
<p>“Further disclosures providing transparency and granularity regarding the status of defined benefit arrangements including any sub-plans. We acknowledge that the ED currently requires detailed disclosures regarding sub-plans including the</p>	<ul style="list-style-type: none"> • A plan would arguably not be required to disclose the existence of, or any details in relation to, its funding and solvency certificate under the proposals in ED 179. Each defined benefit plan regulated under the <i>Superannuation Industry (Supervision) Act 1993</i> (SIS Act) is required to have a funding and solvency certificate. A funding and solvency

<p>credit risk of the employer sponsor and are supportive of such disclosure. At a minimum, we agree that disclosures should extend to:</p> <ul style="list-style-type: none"> • Existence of a current funding and solvency certificate and when the certificate expires at this certified minimum funding levels • For each material sub-plan, the value of the assets, vested benefits and the accrued benefits (as currently measured under SIS) • Basis and methods for calculating the above amounts including any assumptions used, material changes in assumptions, demographics etc from the prior year or other factors that may significantly influence the calculation e.g., retrenchments, redundancies subsequent to balance date • Detail of the funding plan in place including any remedial action agreed to by the employer e.g., top up contribution, one off contributions etc and timeframe over which shortfall will be rectified • Details of employers that have not agreed funding plan in place and/or have reasonably complied with funding arrangements 	<p>certificate is provided by the plan’s actuary and certifies the ‘solvency’ of the plan (as defined in the SIS Regulations) at a particular date, specifies minimum contributions required to maintain solvency and identifies the circumstances in which the fund should be re-examined by the actuary. Information in relation to a plan’s funding and solvency certificate would arguably be useful to users in a manner similar to information regarding the plan’s and trustee’s registration with APRA (which paragraph AG52(a)(iii) and (iv) of ED 179 proposes that a plan or ADF disclose – see Appendix B to this Agenda paper). Accordingly, staff consider that the proposals in ED 179 should be amended to require a plan with defined benefit members to disclose information regarding its funding and solvency certificate.</p> <ul style="list-style-type: none"> • The Board is yet to redeliberate the proposals in ED 179 on ‘sub-plan’ reporting (see Agenda paper 6.1 to this meeting). Accordingly, staff consider that any discussions in relation to ‘sub-plan’ reporting should be deferred until the Board redeliberates this issue. • See staff comments above. In addition, staff note that ED 179 proposes that a plan would disclose: (a) the methods and, when a valuation technique is used, the assumptions applied in determining the fair values of each class of assets (paragraph AG57);² and (b) information in relation to the actuarial assumptions used in measuring any defined benefit members’ accrued benefits [paragraph AG89(g)] (see Appendix B to this Agenda paper). Accordingly, staff consider that any discussions in relation to ‘sub-plan’ reporting should be deferred until the Board redeliberates this issue. • Paragraph AG90(b) of ED 179 proposes that, where the net assets attributable to defined benefit members is less than such members accrued benefits, the plan should disclose information that enables users to evaluate the size, nature, causes of and implications of the deficiency, including the entity’s strategy for addressing the deficiency and the anticipated timeframe over which the deficiency will be eliminated (see Appendix B to this Agenda paper). Accordingly, staff do not recommend any amendments to the proposals in ED 179 in relation to this matter.
--	--

² At its December 2009 meeting, the Board tentatively decided that a plan or ADF should determine the fair value of an asset or liability in accordance with the IASB’s forthcoming Fair Value Measurement Standard.

<ul style="list-style-type: none"> • Any contractual or constructive arrangements between employers and the Trustee • Trustees policies and risk management practices specific to defined benefit funds....” 	<ul style="list-style-type: none"> • Staff consider the proposals in ED 179 in relation to: <ul style="list-style-type: none"> (a) guarantees [paragraph AG89(d)]; (b) causes and implications of any defined benefit ‘surplus’ or ‘deficiency’ (paragraph AG90); or (c) related party transactions and/or balances (paragraphs 48 and AG97) (see Appendix B to this Agenda paper); would be sufficient to ensure that a plan or ADF that has contractual or constructive arrangements with an employer sponsor and/or its trustee would disclose information about such arrangements. Accordingly, staff do not recommend any amendments to the proposals in ED 179 in relation to this matter. • Staff consider the proposals in paragraphs 34(b), AG65-AG66 and AG74-AG76 of ED 179 in relation to the management of financial risks (see Appendix B to this Agenda paper) would be sufficient to ensure that a plan or ADF that has policies and risk management practices specific to their defined benefit arrangements would disclose information about such arrangements.³ Accordingly, staff do not recommend any amendments to the proposals in ED 179 in relation to this matter.
--	---

³ In Agenda paper 5.2 to this meeting, staff recommend that the replacement Standard for AAS 25 refer to the disclosure principles and requirements in the IASB’s Fair Value Measurement Standard by cross reference rather than replicating or paraphrasing the disclosure principles and requirements in that Standard.

Staff views

Staff consider that, consistent with respondents' comments, the replacement Standard for AAS 25 should require a plan with defined benefit members to disclose information regarding its funding and solvency certificate.

Drafting issues

38. Three respondents recommended a number of drafting changes to clarify some aspects of the proposals in ED 179. Table B below provides respondents' detailed comments and staff's analysis in relation to the comments.

Table B – Respondent’s recommendations regarding drafting changes to clarify some aspects of ED 179

Respondents’ comments	Staff’s analysis
<p>“We also suggest the wording from the Basis for Conclusions paragraph BC68 would be useful to include as guidance to the standard, as this addresses a current practical issue. This guidance does not appear in the proposed wording in the standard itself.”</p> <p>(Paragraph BC68 of ED 179 is reproduced in Appendix B to this Agenda paper)</p>	<p>Staff concur with the respondent’s comments. Relocating the material in paragraph BC68 to the Application Guidance could assist users, preparers and auditors in understanding when a plan could recognise a receivable in respect of a defined benefit ‘deficiency’. In addition, staff do not consider that by including the material in paragraph BC68 in the Application Guidance the Board would be running the risk of introducing interpretations into Australian Accounting Standards that are not consistent with ways in which the principles and requirements IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> are interpreted in other contexts. This is because the discussion in paragraph BC68 is superannuation-specific and would arguably be difficult to analogue to other non-superannuation situations.</p>
<p>“The disclosures proposed in paragraph 42 should not include disclosing expected rates of return as this is prone to inaccuracies and is unauditable. This information, if considered useful by trustees, should be included in the annual report section dealing with investment performance and outlook.”</p>	<p>To meet the disclosure principle in paragraph 42, paragraph 43 of ED 179 proposes that a plan or ADF discloses, as a minimum, the information specified in paragraph AG89 of ED 179 (see Appendix B to this Agenda paper). While paragraph AG89 does not specifically require a plan or ADF to disclose expected rates of return, staff do not consider that the replacement Standard for AAS 25 should prohibit a superannuation entity from making such disclosures, particularly if the entity considers the information useful for decision making by its users. Accordingly, staff do not recommend any amendments to the proposals in ED 179 in relation to this matter.</p>
<p>Paragraph omitted from observer notes.</p>	<p>Paragraph omitted from observer notes</p>
<p>“On a separate issue, we note that BC23 commented that assets under AAS 25 are currently measured at ‘asking’ price. We believe that they are currently measured at ‘mid-price’ rather than at ‘asking price’. We recommend the drafting of BC23 be clarified.”</p>	<p>As noted in paragraph 25 of Agenda paper 6.2 to the Board’s December 2009 meeting, staff note that entities reporting under AAS 25 should, in principle, be measuring their assets at bid prices because the Standard is based on an exit value model. Staff understand that some plans and ADFs are currently measuring their assets at their mid prices, presumably because the differences between bid and mid prices are not material. Accordingly, staff do not recommend any amendments to the proposals in ED 179 in relation to this matter.</p>

Staff views

Staff consider that, consistent with respondents' recommendations:

- (a) the material in paragraph BC68 in the Basis for Conclusions (which discusses when a plan should recognise a receivable in respect of a defined benefit 'deficiency') should be relocated to an appropriate location in the Application Guidance in the replacement Standard for AAS 25; and
- (b) the Application Guidance be amended to refer to the requirement under the Portability of Superannuation Benefits legislation for a plan or ADF to process rollover or transfer requests within 30 days of receipt from the member.

Drafting recommendations regarding the example financial statements

39. Four respondents provided drafting recommendations on the example financial statements in ED 179. Table C below provides respondents' details comments and staff's analysis in relation to the comments.

Table C – Respondents’ drafting recommendations regarding the example financial statements

Respondent’s comments	Staff’s analysis
<ul style="list-style-type: none"> • “Greater use of notes to the accounts for the statement of financial position instead of the detail on the statement • Use of notes to expand some of the income and expense items on the income statement • In the statement of cash flows rename ‘cash flows from financing activities’ to ‘cash flows from member activities’ • In the income statement change ‘profit’ to ‘investment earnings’ and after income tax expense add ‘on investment earnings’.” 	<ul style="list-style-type: none"> • Staff note that four respondents suggested that the example financial statements are too detailed. Staff note that the example financial statements are based on the financial statements of two real superannuation plans. Nevertheless, staff concur with respondents’ comments. • While staff consider that the replacement Standard for AAS 25 should provide selected illustrative notes on matters of particular relevance to plans and ADFs (see paragraphs 30-33 and the accompanying staff views in Agenda paper 6.2 to this meeting), staff do not consider the types of income and expense items incurred by superannuation plans to be sufficiently different from the types of income and expense items incurred by other investment-type entities to warrant guidance in the form of example disclosures. • The example cash flow statement includes items that are not in the nature of cash flows from member activities, such as interest paid and dividends paid. In addition, ED 179 proposes that a plan of ADF present a statement of cash flows in accordance with Australian Accounting Standards, and AASB 107 <i>Cash Flow Statements</i> requires an entity to report cash flows during a period classified by operating, investing and financing activities. Accordingly, staff do not recommend amending ‘cash flows from financing activities’ to ‘cash flows from member activities’ in the example cash flow statement. • The example income statement includes line items that are not in the nature of investment activities, such as insurance revenues and expenses, administration expenses and other operating expenses. Accordingly, staff do not recommend changing ‘profit’ to ‘investment earnings’ or adding ‘on investment earnings’ after income tax expense.
<p>“Cash flows from investing activities in the example cash flow statement The level of detail shown in the illustrative example of both purchases and proceeds at an asset type level is onerous and of questionable value.”</p>	<p>Staff concur with the respondent’s comments. See staff comments above.</p>
<p>“Members’ insurance premiums should be incorporated in the statement of movements in members’ vested benefits.”</p>	<p>Insurance premiums charged to members’ accounts is deducted from net after tax contributions received and receivable in the example statement of changes in members’ benefits in Appendix C to ED 179. In addition, insurance premiums are recognised as</p>

<p>“We also have some comments on the requirements for the presentation of the financial statements:</p> <ul style="list-style-type: none"> • The use of the word ‘profit’ in the income statement is misleading and not reflective of a superannuation fund’s activities. We prefer the AAS 25 Financial Reporting by Superannuation Plans terminology of ‘benefits accrued as a result of operations’. • Income tax expense in the operating statement would be better described as income tax on net investment earnings...” <p>“There is too much detail on the face of the balance sheet”</p>	<p>revenues in the example income statement. This treatment is consistent with the approach under AASB 1038 <i>Life Insurance Contracts</i>. Accordingly, staff do not recommend any amendments to the illustrative examples in ED 179 in relation to this matter.</p> <p>ED 179 proposes that a plan or ADF present an income statement in accordance with Australian Accounting Standards, and AASB 101 permits an entity to present in a separate income statement the same line items that are required to be presented in a statement of comprehensive income, including profit or loss. Some constituents may consider some plans and ADFs to be ‘not-for-profit’ entities, and therefore regard ‘profit or loss’ to be an inappropriate term for such entities. Nevertheless, AASB 101 does not mandate use of the term. For instance, paragraph 5 of AASB 101 states, in part, that: “If entities with not-for-profit activities in the private sector or the public sector apply this Standard, they may need to amend the descriptions used for particular line items in the financial statements and for the financial statements themselves.” Consistent with the approach under AASB 101, staff recommend retaining a separate profit or loss line item in the example income statement.</p> <p>While the income tax figure is determined predominantly on the basis of investment-related items, it also includes some non-investment type items, such as administration expenses. Accordingly, staff do not recommend amending income tax expense to ‘income tax on net investment earnings’.</p> <p>Staff concur with the respondent’s comments. See staff comments above.</p>
--	--

<p>Other Comments on the ED</p> <ul style="list-style-type: none">• The example cashflow statement includes a contribution surcharge tax paid. As the contribution surcharge tax was abolished in 2005 we would suggest this be deleted.• Loss attributable to members as provided in the illustrative financial statements is misleading, as it represents merely a timing difference between earnings and allocations, not a loss.• The illustration provided has too much detail in respect of investing activities separating purchase and proceeds by class of asset. This is significantly more than is typically provided in a set of financial statement of a unit trust which reports under IFRS, where all purchases and all proceeds are shown together....”	<ul style="list-style-type: none">• As noted above, the example financial statements are based on the financial statements of two real superannuation plans, and both of these plans paid contribution surcharge tax on behalf of their members during the periods considered. Nevertheless, staff concur with the respondent’s comments on the grounds that contribution surcharge tax is likely to become less relevant to plans going forward.• Because members’ benefits are liabilities under ED 179, any allocations during a reporting period to members are expenses for the period. If the total expenses recognised by a plan for a period, including allocations to members, exceeds the total income recognised by the plan for the period (which is the case in the example), the plan should report a loss for the period. Accordingly, staff do not recommend changing the example to amend or delete the line item ‘Loss after income tax’. However, as noted in paragraphs 12-16 of this Agenda paper, staff consider that the example financial statements could be amended to provide a more detailed explanation of any ‘surplus’ or ‘deficiency’, including timing differences.• Staff concur with the respondent’s comments. See staff comments above.
---	--

Staff views

Staff consider that, consistent with respondents' comments:

- (a) the level of detail in the example financial statements should be reduced;
- (b) references to contribution surcharge tax should be removed from the example financial statements; and
- (c) subject to the Board's decisions regarding the example illustrative financial statements, the replacement Standard should include example hybrid plan financial statements that demonstrate how a plan or ADF that recognises a defined benefit and/or defined contribution 'surplus' or 'deficiency' could present such a surplus or deficiency.

Appendix A - Table of Respondents

Table of Respondents

Response number	Respondent	Constituent Group
1	Unisuper	Preparer of financial statements
2	Ernst & Young (E&Y)	Accountant and auditor
3	Mercer	Actuary, consultant, administrator and preparer of financial statements
4	AXA Australia (AXA)	Preparer of financial statements
5	Qsuper	Preparer of financial statements
6	KPMG	Accountant and auditor
7	The Association of Superannuation Funds of Australia Limited (ASFA)	Representative body
8	Watson Wyatt (WW)	Actuary, consultant and administrator
9	Australian Institute of Superannuation Trustees (AIST)	Representative body
10	Corporate Super Association (CSA)	Representative body
11	Vision Super Pty Ltd (Vision)	Preparer of financial statements
12	CPA Australia Ltd, the Institute of Chartered Accountants and the National Institute of Accountants (CPA, ICA and NIA)	Professional accounting bodies
13	Grant Thornton	Accountant and auditor
14	Dr Isabel Gordon	Academic
15	Institute of Actuaries of Australia (IAA)	Professional actuarial body
16	Sharyn Long Chartered Accountants (SLCA)	Accountant
17	AustralianSuper	Preparer of financial statements
18	Confidential submission	
19	National Australia Bank (NAB)	Asset custodian, consultant and administrator
20	PricewaterhouseCoopers (PwC)	Accountant and auditor

Appendix B – Selected paragraphs from ED 179 *Superannuation Plans and Approved Deposit Funds*

Nature, Extent and Management of Risks

- 34 A superannuation plan or approved deposit fund shall disclose information that provides users with a basis for understanding:**
- (a) the nature and extent of the financial risks to which the entity is exposed during the reporting period and at the end of the reporting period; and**
 - (b) how the entity manages those risks.**

...

Member Benefits

- 42 A superannuation plan or approved deposit fund shall disclose information that provides users with a basis for understanding the entity's obligations for member benefits.**

...

Related Parties

- 48 A superannuation plan or approved deposit fund shall disclose information that provides users with a basis for understanding:**
- (c) the nature of any related party relationships during the reporting period; and**
 - (d) the nature and amount of any:**
 - (i) related party transactions during the reporting period; and**
 - (ii) outstanding balances between the entity and a related party at the end of the reporting period.**

...

Disclosure Principles

Nature of the Entity and Member Benefits

AG52 Information that would provide users with a basis for understanding the nature of the superannuation plan or approved deposit fund, and the nature of the benefits it provides to its members, would include the following:

- (a) a description of the entity, including:**
 - (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**
- (b) a description of the nature of the entity's members and beneficiaries, including:**
 - (i) the types of benefits provided;**
 - (ii) the numbers of members and beneficiaries holding each type of benefit;**
 - (iii) the numbers of members and beneficiaries classified as active, deferred or pensioner by type of benefit; and**
 - (iv) whether the entity can accept new defined benefit members.**

Fair Value

AG57 To comply with paragraph 32(c) of this Standard, a superannuation plan or approved deposit fund discloses, for each class of asset and liability measured at fair value, the methods and, when a valuation technique is used, the assumptions applied in determining fair values of each class of asset and liability measured at fair value. For example, if applicable, a plan or fund discloses information about the assumptions relating to prepayment rates, rates of estimated credit losses, and interest rates or discount rates. If there has been a change in valuation technique, the plan or fund would disclose that change and the reasons for making it.

...

Nature, Extent and Management of Risks

...

AG62 For the purpose of this Standard:

- (a) liquidity risk includes the risk that a superannuation plan or approved deposit fund will encounter difficulty in meeting its obligations for member benefits; and
- (b) credit risk includes the risk that an employer sponsor will encounter difficulty in making contributions to the superannuation plan at a level that would be expected to permit the plan to meet its obligations for defined benefit members' accrued benefits.

...

Qualitative Disclosures

AG65 For each type of financial risk to which a superannuation plan or approved deposit fund is exposed, the plan or fund discloses:

- (a) the source of the risk;
- (b) its objectives, policies and processes for managing the risk;
- (c) the methods used to measure the risk; and
- (d) any changes in (a), (b) or (c) from the previous reporting period.

AG66 All superannuation entities regulated by APRA are required to have a Risk Management Plan (RMP) that formally documents, among other things, the plan's or fund's policies and procedures for managing various risks, including market and liquidity risks. While a plan's or fund's RMP may not address all of the different types of risks to which the entity may be exposed, it should provide a basis for the entity's qualitative disclosures with respect to:

- (a) the main financial risks to which the entity is exposed;
- (b) the entity's objectives, policies and processes for managing the main financial risks to which it is exposed; and
- (c) the methods the entity uses to measure the main financial risks to which it is exposed.

...

AG72 While some member benefits, particularly defined benefit entitlements, are subject to vesting conditions, most member benefits are due and payable immediately. Most defined contribution members are permitted to choose the superannuation plan or plans that will manage their retirement benefits. Accordingly, the vested benefits of most defined contribution members would be considered due and payable within three months of the end of the reporting period. With respect to defined benefit arrangements, because resignation is sufficient to generate the release of a defined benefit member's vested benefits, this amount would also be considered due and payable within three months of the end of the reporting period. To assist users in understanding the maturity profile of any unvested amounts, a superannuation plan or approved deposit fund would disclose a description of the vesting conditions that are applicable to members of the plan or fund.

...

Risk Disclosures and Risk Management Arrangements

- AG74 The risk management arrangements adopted by superannuation plans and approved deposit funds vary. For example, the key management personnel (KMP) of some superannuation plans generate their own quantitative information about the risks and risk management arrangements associated with the plan's assets, particularly for directly held assets.
- AG75 However, the KMP of most superannuation plans and approved deposit funds rely to some extent on reports provided by investment managers, particularly in relation to investments in collective investment vehicles. While investments in collective investment vehicles can potentially expose a plan or fund to some or all of the different types of risks identified in AASB 7, the plan or fund may not be able to reliably quantify the entity's direct exposure to each risk due to the collective nature of such investments.
- AG76 Irrespective of whether the KMP of a superannuation plan or approved deposit fund generate their own information or utilise information provided by service providers, the plan or fund would apply a 'through the eyes of management' approach with respect to its qualitative and quantitative risk disclosures. Accordingly, where an investment manager monitors the financial risks to which some or all of the assets of a plan or fund are exposed, and the investment manager reports on the relevant risks to the KMP using quantitative measures or data, this information is relevant to formulating the plan's or fund's disclosures in respect of the relevant risks.

...

Member Benefits

- AG89 To comply with paragraph 42 of this Standard, a superannuation plan or approved deposit fund discloses, as a minimum when relevant, the following:
- (a) the amount of defined benefit members' vested benefits at the end of the reporting period by member status (active, deferred and pensioner);
 - (b) the amount of defined benefit members' accrued benefits at the end of the reporting period by member status;
 - (c) the amount of any net assets attributable to defined contribution members but not allocated to those members at the end of the reporting period;
 - (d) details of any guarantees provided in relation to members' or their beneficiaries' benefits, including:
 - (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;
 - (e) the actuary's recommended level of contributions in respect of defined benefit members for the reporting period, and whether the level of contributions received by the plan is consistent with the actuary's recommendations;
 - (f) the actuary's recommended level of contributions in respect of defined benefit members for the next reporting period; and
 - (g) information in relation to the actuarial assumptions used in measuring defined benefit members' accrued benefits, including:
 - (i) the key actuarial assumptions used to measure members' accrued benefits at the end of the reporting period;
 - (ii) any uncertainties surrounding the key actuarial assumptions used to measure members' accrued benefits at the end of the reporting period, including the amount and timing of benefit payments;
 - (iii) the key actuarial assumptions used to measure members' accrued benefits at the end of the last annual reporting period;

- (iv) how, if at all, the key assumptions used to measure members' accrued benefits at the end of the reporting period differ from the corresponding key assumptions used to measure members' accrued benefits at the end of the last annual reporting period; and
- (v) 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 reporting period.

Net Assets Attributable to Defined Benefit Members

AG90 To comply with paragraph 44 of this Standard, a superannuation plan or approved deposit fund discloses, as a minimum when relevant, the following:

- (a) where the net assets attributable to defined benefit members is greater than such members' accrued benefits, information that enables users to evaluate the size, nature, causes of and implications of the 'surplus', including:
 - (i) whether the 'surplus' 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, the plan would disclose, as a minimum, the nature of the differences between the two sets of assumptions; and
 - (ii) 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; or
- (b) where the net assets attributable to defined benefit members is less than such members' accrued benefits, information that enables users to evaluate the size, nature, causes of and implications of the 'deficiency', including:
 - (i) whether the 'deficiency' 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, the plan would disclose, as a minimum, the nature of the differences between the two sets of assumptions;
 - (ii) to the extent that the 'deficiency' is not explained by (i), the entity's strategy for addressing the 'deficiency' and the anticipated timeframe over which the 'deficiency' will be eliminated; and
 - (iii) if 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
 - (iv) if there is no specific contractual agreement in place between the trustee and the relevant employer sponsor, how the trustee monitors and manages the 'deficiency'.

...

Related Parties

AG97 To comply with paragraph 48 of this Standard, a superannuation plan or approved deposit fund that has a related party relationship or is involved in a related party transaction applies AASB 124. In addition to any relevant disclosures that might need to be made under AASB 124, a plan or fund discloses information needed by users to understand:

- (a) the nature of the entity's relationships with its:
 - (i) employer sponsors; and
 - (ii) trustee or trustees;during the reporting period; and
- (b) any transaction during the reporting period or balance at the end of the reporting period between the entity and:
 - (i) an employer sponsor; or
 - (ii) its trustee or trustees;

that would not be considered 'normal' in a superannuation context. For example, the recognition of contributions receivable by a plan would be regarded as 'normal' in a superannuation context, whereas the sale of assets by a plan to a trustee may not. Accordingly, normality should be judged on the basis of whether the information would affect a user's perception of the governance, financial performance or financial position of the plan or fund.

...

BASIS FOR CONCLUSIONS

...

BC23 Both market value measurements and fair value measurements provide useful information for users of the financial statements of a superannuation plan or approved deposit fund about:

- (a) the capacity of a superannuation plan, with defined contribution members, or an approved deposit fund to pay benefits as it reflects the interests of members; and
- (b) the financial position (solvency) of a superannuation plan with defined benefit members as it reflects the capacity of the entity to meet member benefits.

However, the approach for measuring assets under AAS 25 is inconsistent with the approach for measuring equivalent assets under other Australian Accounting Standards. Under AAS 25, all assets are required to be measured at their 'asking' prices at the end of the each reporting period. In contrast, under other Australian Accounting Standards, assets measured at fair value are generally measured at their 'bid' prices. In addition, fair value measurement is more comprehensively dealt with in the accounting literature, which includes the relevant guidance in Australian Accounting Standards, than the way in which market value measurement is dealt with in AAS 25. For example, AASB 139 *Financial Instruments: Recognition and Measurement* provides detailed guidance on when a 'bid price' or an 'asking price' would be used to measure a financial liability. In contrast, AAS 25 provides no equivalent guidance with respect to the measurement of financial liabilities. Accordingly, the AASB considers that requiring superannuation plans and approved deposit funds to measure their assets at fair value would enhance the comparability of the financial statements of superannuation plans and approved deposit funds with other entities.

...

BC68 With respect to a situation where net assets attributable to defined benefit members is less than defined benefit members' accrued benefits, the AASB noted that, unless there is a specific contractual agreement between the superannuation plan and the employer sponsor, the deficiency in assets would not give rise to a receivable that is controlled by the plan. This is because, in the absence of a contract, the payment of any future contributions by the employer sponsor to address the deficiency:

- (c) would not meet the definition of a financial instrument under AASB 132; and
- (d) would not be virtually certain to be received by the superannuation plan, as required to recognise a 'reimbursement' under AASB 137.

....

Vested benefits

BC127 AAS 25 requires a superannuation plan to disclose defined benefit members' vested benefits at the end of the reporting period. The AASB considered the merits of continuing to require a superannuation plan to disclose information in relation to defined benefit members' vested benefits and concluded that vested benefits is useful information to users because:

- (a) items that may be regarded as equivalent to vested benefits are reported by other entities. For example, 'demand deposits' are reported by banks and other deposit-taking entities; and
- (b) vested benefits may be regarded as akin to the current portion of a superannuation plan's obligations for defined benefit members' accrued benefits. AASB 101 requires separate presentation of current and non-current liabilities in the statement of financial position.

Accordingly, ED 179 proposes that a superannuation plan disclose defined benefit members' vested benefits at the end of each reporting period.