



# AASB 1056 SUPERANNUATION ENTITIES

## FACT SHEET

This fact sheet is based on existing requirements as at 31 December 2015 and it does not take into account recent standards and interpretations that have been issued but are not yet effective.

### **IMPORTANT NOTE**

**This Standard is an Australian specific standard with no international equivalent. The application date included below is the effective date of the initial version of the Standard.**

## AASB APPLICATION DATE

AASB 1056 is applicable for annual reporting periods commencing on or after 1 July 2016.

## OBJECTIVE

The objective of AASB 1056 is to specify requirements for the general purpose financial statements of *superannuation entities* with a view to providing users with information useful for decision making in a superannuation entity context.

## COMPLIANCE WITH AUSTRALIAN ACCOUNTING STANDARDS

Unless otherwise specified in AASB 1056, the financial statements of a superannuation entity shall be prepared in accordance with other applicable Australian Accounting Standards.

## PRESENTATION OF FINANCIAL STATEMENTS

A superannuation entity shall present:

- a. a statement of financial position as at the end of the reporting period;
- b. an income statement for the period;
- c. a statement of changes in equity/reserves for the period;
- d. a statement of cash flows for the period;
- e. a statement of changes in member benefits for the period; and
- f. notes to the financial statements.

### Income Statement

The income statement shall include line items that present, when applicable, the following amounts for the period:

- a. income, in aggregate or subclassified;
- b. expenses, in aggregate or subclassified;
- c. net benefits allocated to *defined contribution member* accounts;
- d. the net change in *defined benefit member* liabilities;
- e. net result; and
- f. income tax expense or benefit attributable to net result.

When a superannuation entity acts in the capacity of an insurer in respect of defined contribution members, the income statement or notes to the financial statements shall separately present insurance premiums, claim expenses, reinsurance expenses, reinsurance recoveries, and the net result from insurance activities.

### Statement of Changes in Member Benefits

A statement of changes in member benefits shall present opening and closing balances for member liabilities and, when applicable, include the following line items for the period:

- a. employer contributions;
- b. member contributions;
- c. taxes on contributions;
- d. benefits transferred into the entity from other superannuation entities;
- e. benefits to members or their beneficiaries;
- f. insurance premiums charged to defined contribution member accounts;
- g. net benefits allocated to defined contribution member accounts;
- h. net changes to defined benefit member accrued benefits; and
- i. amounts allocated to members from reserves.

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## RECOGNITION AND MEASUREMENT

### Assets and Liabilities Measured at Fair Value

All recognised assets and liabilities except member liabilities, tax assets and liabilities, acquired goodwill, insurance assets and liabilities, and employer-sponsor receivables shall be measured at fair value at each reporting date.

### Member Liabilities

Obligations relating to member entitlements shall be recognised as member liabilities.

Defined contribution member liabilities shall be measured as the amount of member account balances as at the reporting date.

Defined benefit member liabilities shall be measured as the amount of a portfolio of investments that would be needed as at the reporting date to yield future net cash inflows that would be sufficient to meet accrued benefits as at that date when they are expected to fall due.

### Employer-sponsor receivables

An asset relating to an employer-sponsor receivable shall be recognised to the extent there is a difference between a defined benefit member liability and the fair value of assets available to meet that liability that meets the definition and recognition criteria for an asset in the *Framework for the Preparation and Presentation of Financial Statements*.

An asset recognised in accordance with above paragraph shall be measured consistently with the measurement of defined benefit member liabilities less the relevant amount of the other recognised assets held to meet those liabilities.

## INSURANCE ARRANGEMENTS

A superannuation entity acting in the capacity of an insurer shall:

- recognise liabilities and assets arising from its insurance and reinsurance arrangements;
- measure liabilities and assets arising from insurance and reinsurance arrangements using the approach to measuring defined benefit member liabilities; and
- if reinsurance assets are impaired, reduce the carrying amount of those assets and recognise the impairment in the income statement.

A superannuation entity acting in the capacity of an insurer in respect of defined contribution members that recognises insurance liabilities and assets shall disclose information that provides a basis for understanding the amount, timing and uncertainty of future cash flows relating to those liabilities and assets.

## TRANSITION ON INITIAL APPLICATION

On initial application of AASB 1056, superannuation entities need not present a statement of financial position as at the beginning of the earliest comparative period.

## DISCLOSURES

Refer Appendix 1 for a checklist to assist with AASB 1056 disclosure requirements.

## DEFINITIONS

<b>Accrued benefits</b>	Benefits the superannuation entity is presently obliged to transfer to members or their beneficiaries in the future as a result of membership up to the end of the reporting period.
<b>Approved deposit fund</b>	An entity that is an approved deposit fund within the meaning of section 10 of the <i>Superannuation Industry (Supervision) Act 1993</i> .
<b>Defined benefit member</b>	<p>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.</p> <p>Members identified as defined benefit members based on the definition in this Standard are not expected to be different from members identified as defined benefit members under prudential regulation.</p>
<b>Defined contribution member</b>	<p>A member whose benefits are determined by reference to accumulated contributions made on their behalf and/or by them, together with investment earnings thereon.</p> <p>If an individual member's benefit entitlements have characteristics of both defined benefit and defined contribution entitlements, the member is regarded as a defined benefit member for the purpose of this Standard.</p>
<b>Superannuation entity</b>	An entity that constitutes one or more <i>superannuation plan(s)</i> or an <i>approved deposit fund</i> .
<b>Superannuation plan</b>	<p>An entity that is:</p> <ol style="list-style-type: none"> <li>regulated under the <i>Superannuation Industry (Supervision) Act 1993</i>, or similar legislative requirements in the case of an exempt public sector superannuation plan; and</li> <li>established and maintained: <ul style="list-style-type: none"> <li>– in order to receive superannuation contributions; and</li> <li>– for the primary purpose of providing benefits to members upon their retirement, death, disablement or other event that qualifies as a condition of release for member benefits.</li> </ul> </li> </ol> <p><i>Superannuation plans may be constituted as separate entities or as a number of separate entities established to administer aspects of the plan (such as when one entity administers contributions and another administers benefit payments).</i></p>
<b>Vested benefits</b>	<p>The value of benefits to which members or their beneficiaries would be entitled on voluntary withdrawal from the superannuation entity or on becoming entitled to a pension or deferred benefit as at the end of the reporting period.</p> <p><i>In the context of a defined benefit member's vested benefits, withdrawal means withdrawal by a member from either the defined benefit section of their superannuation plan or withdrawal from the plan itself.</i></p>

## APPENDIX 1 – DISCLOSURE CHECKLIST

This checklist can be used to review your financial statements. You should complete the “Yes / No / N/A” column about whether the requirement is included. To ensure the completeness of disclosures, provide an explanation for “No” answers.

CODE		YES / NO / N/A	EXPLANATION (If required)
AASB 1056.21	<p>Has the superannuation entity disclosed information that provides users with a basis for understanding the benefits the entity provides to members?</p> <p>These disclosures shall include the types of benefits the superannuation entity provides and, when applicable, whether the superannuation entity can accept new defined benefit members.</p>		
AASB 1056.22	<p>Has the superannuation entity disclosed information that provides users with a basis for understanding the nature and amounts of income and expenses?</p>		
AASB 1056.23-25	<p>Has the superannuation entity disclosed information that provides users with a basis for understanding member liabilities?</p> <p>For defined contribution member liabilities, to meet the above objective, has the entity:</p> <ol style="list-style-type: none"> <li>applied the disclosure requirements of AASB 7 <i>Financial Instruments: Disclosures</i> in respect of credit risk, market risk and liquidity risk, as if defined contribution member liabilities were financial liabilities; and</li> <li>disclosed the amount of any net assets attributable to defined contribution members but not allocated to those members as at the end of the period?</li> </ol> <p>For defined benefit member liabilities, to meet the above objective, has the entity disclosed:</p> <ol style="list-style-type: none"> <li>information in relation to the key assumptions used in measuring defined benefit member liabilities, including: <ul style="list-style-type: none"> <li>– the basis for the key assumptions, including the manner in which they have been determined;</li> <li>– the key assumptions used, as percentages or in other quantitative terms or in qualitative form; and</li> <li>– the sensitivity of the liabilities to reasonably possible changes in the key assumptions;</li> </ul> </li> <li>the amount of vested benefits at the end of the period;</li> <li>whether the actual level of contributions is consistent with the actuary’s recommendations;</li> <li>information about the manner in which the entity manages liquidity risk; and</li> <li>where the entity’s actual investment portfolio differs from the portfolio used in measuring defined benefit member liabilities in accordance with paragraph 17 of AASB 1056, an explanation of why that is the case?</li> </ol>		

CODE		YES / NO / N/A	EXPLANATION (If required)
AASB 1056.26 -27	<p>When an employer-sponsor receivable is recognised in accordance with AASB 1056.18, has the main features of the specific contractual or statutory arrangement in place between the superannuation entity and the relevant employer-sponsor(s) been disclosed?</p> <p>To meet the above objective, has the entity disclosed:</p> <ul style="list-style-type: none"> <li>a. whether the arrangement is contractual or statutory and, in the latter case, the name of the statute;</li> <li>b. the identity of the employer-sponsor(s); and</li> <li>c. the manner in which the receivable is expected to be realised by the entity?</li> </ul>		
AASB 1056.28-29	<p>Where the amount of net assets attributable to defined benefit members differs from defined benefit member liabilities determined in accordance with AASB 1056, has the entity disclosed information that provides users with a basis for understanding the nature, causes of and any strategies for addressing the difference between the two amounts?</p> <p>To meet the objective in above paragraph, the disclosures would include:</p> <ul style="list-style-type: none"> <li>a. whether the difference has arisen, in whole or in part, as a consequence of applying different assumptions for the purposes of determining funding levels and measuring defined benefit member liabilities and, if so, the nature of the differences between the assumptions; and</li> <li>b. in the case of a difference not wholly explained by (a): <ul style="list-style-type: none"> <li>– the entity’s strategy for addressing the difference and the anticipated timeframe over which the difference is expected to be eliminated; and</li> <li>– any plans or processes in place for employer-sponsors to seek to be paid some or all of a surplus or to reduce the level of their contributions in the future.</li> </ul> </li> </ul>		
AASB 1056.30 - 31	<p>Has the superannuation entity disclosed information that provides users with a basis for understanding the overall change in defined benefit member liabilities?</p> <p>To meet the above objective, the disclosures would include quantitative or qualitative information about changes to key assumptions.</p>		
AASB 1056.32	<p>Has the superannuation entity disclosed disaggregated information when it is necessary to explain the risks and benefit arrangements relating to different categories of members?</p>		

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CODE		YES / NO / N/A	EXPLANATION (If required)
AASB 1056.35	<p>Has the superannuation entity acting in the capacity of an insurer in respect of defined contribution members that recognises insurance liabilities and assets, disclosed information that provides a basis for understanding the amount, timing and uncertainty of future cash flows relating to those liabilities and assets?</p> <p>The disclosures would include quantitative or qualitative information in relation to:</p> <ul style="list-style-type: none"><li>a. key assumptions used in measuring liabilities arising from insurance arrangements the superannuation entity provides to its members;</li><li>b. any uncertainties surrounding those key assumptions; and</li><li>c. any uncertainties surrounding reinsurance assets.</li></ul>		

## OTHER MATTERS

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