

Sample note for the year ended 30 June 2016

To be inserted in Note 1 - Statement of accounting policies under the sub-note "Employee Benefits"

Superannuation

The amount charged to the Comprehensive Operating Statement in respect of superannuation represents contributions made or due by [Employer name] to the relevant superannuation plans in respect to the services of [Employer name]'s staff (both past and present). Superannuation contributions are made to the plans based on the relevant rules of each plan and any relevant compulsory superannuation requirements that [Employer name] is required to comply with.

To be inserted in the Notes to the Financial Statements under the heading "Superannuation"

[Employer name] makes [all/the majority] of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (the Fund). This Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. The Defined Benefit category provides lump sum benefits based on years of service and final average salary. In certain circumstances a defined benefit member may be eligible to purchase a lifetime pension with up to 50% of their lump sum benefit. The accumulation category receives fixed contributions from [Employer name] and the [Employer name]'s legal or constructive obligation is limited to these contributions.

AASB 119 148(d)(i)

Obligations for contributions to the Fund are recognised as an expense in Comprehensive Operating Statement when they are made or due.

[Insert similar note for any other funds that the employer contributes to]

Accumulation

The Fund's accumulation category, Vision MySuper/Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings. For the year ended 30 June 2016, this was 9.5% (9.5% in 2014/15) as required under Superannuation Guarantee legislation. Our commitment to accumulation plans is limited to making contributions in accordance with our minimum statutory requirements. No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

The Superannuation Guarantee (SG) rate will remain at 9.5% for the next 5 years, increasing to 10% from 1 July 2021, and eventually to 12% from 1 July 2025.

Defined Benefit

As provided under Paragraph 34 of AASB 119 of AASB 119 - Employee Benefits, [Employer name] does not use defined benefit accounting for its defined benefit obligations under the Fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a multi-employer sponsored plan.

AASB 119 148 (d) (i)
148 (d) (ii)
148 (d)(v)

As a multi-employer sponsored plan, the Fund was established as a mutual scheme to allow for the mobility of the workforce between the participating employers without

attaching a specific liability to particular employees and their current employer. Therefore, there is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of [Employer name] in the Fund cannot be measured as a percentage compared with other participating employers. While there is an agreed methodology to allocate any shortfalls identified by the Fund Actuary for funding purposes, there is no agreed methodology to allocate benefit liabilities, assets and costs between the participating employers for accounting purposes. Therefore, the Fund Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119 because of the pooled nature of the Fund's Defined Benefit category.

Funding arrangements

[Employer name] makes employer contributions to the Defined Benefit category of the Fund at rates determined by the Trustee on the advice of the Fund Actuary.

As at 30 June 2015, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. It was determined that the Vested Benefit Indexed (VBI) of the Defined Benefit category of which [Employer name] is a contributing employer was 105.8% (103.4% at 30 June 2015).

The Australian Prudential Regulation Authority (APRA) superannuation prudential standard (SPS 160) - Defined Benefit Matters determines the funding requirements of a defined benefit (DB) arrangement. Under this standard:

- The VBI is the measure to determine whether there is an unfunded liability; and
- Any unfunded liability that arises must be paid within three years.

Under SPS 160, the VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the 2015 interim actuarial investigation showed that the Defined Benefit category was in a satisfactory financial position under SPS 160. As a result, the Fund Actuary determined that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

The Fund's employer funding arrangements comprise of three components as follows:

1. Regular contributions - which are ongoing contributions needed to fund the balance of benefits for current members and pensioners;
2. Funding calls - which are contributions in respect of each participating employer's share of any funding shortfalls that arise; and
3. Retrenchment increments - which are additional contributions to cover the increase in liability arising from retrenchments.

[Employer name] is also required to make additional contributions to cover the contributions tax payable on components 2 and 3 referred to above.

Employees are also required to make member contributions to the Fund. As such, assets accumulate in the Fund to meet member benefits, as defined in the Trust Deed, as they accrue.

Employer contributions

Regular contributions

On the basis of the results of the 2015 interim actuarial investigation conducted by the Fund Actuary, [Employer name] makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For

the year ended 30 June 2016, this rate was 9.5% of members' salaries (9.5% in 2014/2015). This rate will increase in line with the SG increases.

In addition, [Employer name] reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit (the funded resignation or retirement benefit is calculated as the VBI multiplied by the benefit).

Funding calls

The Fund is required to comply with the superannuation prudential standards. Under the superannuation prudential standard SPS 160, the Fund is required to target full funding of its vested benefits. There may be circumstances where:

AASB 119 148(d)(iv)

- A fund is in an unsatisfactory financial position at an actuarial investigation (i.e. its vested benefit index (VBI) is less than 100% at the date of the actuarial investigation); or
- A fund's VBI is below its shortfall limit at any time other than at the date of the actuarial investigations.

If either of the above occur, the fund has a shortfall for the purposes of SPS 160 and the fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. There may be circumstances where APRA may approve a period longer than three years.

The Fund monitors its VBI on a quarterly basis and the Fund has set the Defined Benefit category's shortfall limit at 97%.

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including [Employer name]) are required to make an employer contribution to cover the shortfall. The methodology used to allocate the shortfall was agreed in 1997 to fairly and reasonably apportion the shortfall between the participating employers.

AASB 119 148 (b)

Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's Defined Benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated.

The pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund are based on:

AASB 119 148 (d)(v)

- The service periods of all active members split between the active members pre-1 July 1993 and post-30 June 1993 service period; and
- The pensioner (including fixed term pension) liabilities which are allocated to the pre-1993 period.

The pre-1 July 1993 component of the shortfall is apportioned between the participating employers based on the employer's share of the total participating employer payroll at 30 June 1993.

The post-30 June 1993 component of the shortfall is apportioned between the participating employers based on the employer's share of the total participating employer payroll at the date the shortfall has been calculated.

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up. In the unlikely event that the Fund is wound up and there is a surplus in the Fund, the surplus cannot be applied for the benefit of the defined benefit employers where

AASB 119 148(c)

there are on-going defined benefit obligations. The surplus would be transferred to the fund accepting those defined benefit obligations (including the lifetime pension obligations) of the Fund.

In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

Differences between calculations

The Fund surplus or deficit (i.e. the difference between fund assets and liabilities) is calculated differently for funding purposes (i.e. calculating required contributions), for the calculation of accrued benefits as required in AAS 25 and for the values needed for the AASB 119 disclosure in the [Employer name]'s financial statements. AAS 25 requires that the present value of the defined benefit liability be calculated based on benefits that have accrued in respect of membership of the plan up to the measurement date, with no allowance for future benefits that may accrue.

Retrenchment increments

During 2015-16, [Employer name] [was/was not] required to make payments to the Fund in respect of retrenchment increments (\$[amount disclosed in last year's note] in 2014/15). [Employer's name]'s liability to the Fund as at 30 June 2016, for retrenchment increments, accrued interest and tax is \$[insert relevant amount] (\$[amount disclosed in last year's note] in 2014/15).

Latest actuarial investigation surplus amounts

The 2015 interim actuarial investigation identified the following in the Defined Benefit category of which [Employer Name] is a contributing employer:

- A VBI surplus of \$130.8 million; and
- A total service liability surplus of \$239 million.

The VBI surplus means that the market value of the funds' assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2015.

The total service liability surplus means that the current value of the assets in the Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses.

[Employer name] was notified of the 30 June 2015 VBI during August 2015.

The 2014 full actuarial investigation

The Fund's last full actuarial investigation was as at 30 June 2014. This investigation identified the following:

- A VBI surplus of \$77.1 million; and
- A total service liability surplus of \$236 million.

[If the employer has any 2011 funding call amounts outstanding at either 30 June 2015 or 30 June 2014, insert:

Prior actuarial investigation shortfall amounts

The Fund's prior full actuarial investigation as at 31 December 2011 identified an unfunded liability of \$406 million (excluding contributions tax) in the Defined Benefit

category. A total of \$X.X million¹ (excluding contributions tax) was outstanding as at 30 June 2016 (\$2.6 million amount for 2014/15).

[Employer's name] was informed of its share of the shortfall on 2 August 2012 and [Employer's name]'s share of the shortfall amounted to \$[insert relevant amount from 2011/2012 superannuation disclosure note] (excluding contributions tax) which has been accounted for in the 2011/12 Comprehensive Operating Statement with Employee Benefits and in the Balance Sheet in Current Liabilities Provisions.

[If appropriate insert:

A lost earnings charge accrues on any outstanding unfunded liabilities to compensate the Fund for lost earnings. This lost earnings charge is calculated using the Actuary's assumed long term earning rate for the relevant actuarial investigation. For the 2011 actuarial investigation, the lost earnings charge is 7.5% p.a. calculated daily. [Employer name] received a lost earnings charge of \$[insert relevant amount] during the year ended 30 June 2016 (\$[insert relevant amount for 2014/15] for 2014/15) and this has been accounted for in the Comprehensive Operating Statement within Employee Benefits (see Note [relevant note number]).

[Insert either:

1. [Employer name] has \$nil amount owing as at 30 June 2016 (\$[insert unpaid amount for 2014/15] for 2014/15).

or

2. [Employer name]'s share of the outstanding amount at 30 June 2016 is [\$insert relevant amount] (\$[insert unpaid amount for 2014/15] for 2014/15). This unpaid amount is included in the Balance Sheet in the Current Liabilities Provisions (see Note [relevant note number]). This amount includes a lost earnings charge amount of \$[insert relevant amount] (\$[insert unpaid amount for 2014/15] for 2014/15).]

Accrued benefits

The Fund's liability for accrued benefits was determined in the 2015 interim actuarial investigation pursuant to the requirements of Australian Accounting Standard Board AAS25 - Financial Reporting by Superannuation Funds as follows:

	30 June 2015 (Interim) \$ million	30 June 2014 (Full) \$ million
Net Market Value of Assets	2,379.2	2,354.9
Accrued Benefits (per accounting standards)	2,083.1	2,061.9
Difference between Assets and Accrued Benefits	296.1	293.0
Vested Benefits (Minimum sum which must be paid to members when they leave the fund)	2,248.4	2,277.8

¹ Vision Super will provide this number to the participating employers shortly after 30 June 2016

The financial assumptions used to calculate the Accrued Benefits for the Defined Benefit category of the Fund were:

	30 June 2015	30 June 2014
Net Investment Return	7.0% p.a.	7.50% p.a.
Salary Inflation	4.25% p.a.	4.25% p.a.
Price Inflation	2.5% p.a.	2.75% p.a.

The next interim actuarial investigation will be held as at 30 June 2016 and the next full actuarial investigation will be as at 30 June 2017.

[Sub-note number] Superannuation contributions

Contributions by [Employer name] (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2016 are detailed below:

Scheme	Type of scheme	Rate	2016 \$'000	2015 \$'000
Vision Super	Defined benefits	9.5%	[Insert amount]	[Insert amount disclosed in the 2015 note]
Vision Super	Accumulation	9.5%	[Insert amount]	[Insert amount disclosed in the 2015 note]
[Insert any other relevant funds]	[Insert relevant description]	[Insert relevant percentage]	[Insert amount]	[Insert amount disclosed in the 2015 note]

There were [\$relevant amount/no] contributions outstanding and [\$relevant amount/no] loans issued from or to the above schemes as at 30 June 2016.

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2017 is \$(insert estimated amount to be paid).