

Sample note for the year ended 30 June 2017

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

AASB 119 148(d)(i)

Accumulation

The Fund's accumulation categories, 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 2017, this was 9.5% as required under Superannuation Guarantee (SG) legislation).

Defined Benefit

[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 pooled multi-employer sponsored plan.

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

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. Therefore, the Fund Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

148 (d)(v)

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 2016, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) of the Defined Benefit category of which [Employer name] is a contributing employer was 102.0%. To determine the VBI, the Fund Actuary used the following long-term assumptions:

| | |
|------------------------|----------|
| Net investment returns | 7.0% pa |
| Salary information | 4.25% pa |
| Price inflation (CPI) | 2.5% pa. |

Vision Super has advised that the estimated VBI at [quarter end] was [insert the latest VBI advised by Vision Super] %.

The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the 2016 interim actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

Employer contributions

Regular contributions

On the basis of the results of the 2016 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 2017, this rate was 9.5% of members' salaries (9.5% in 2015/2016). This rate will increase in line with any increase to the SG contribution rate.

AASB 119 148 (a)

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.

Funding calls

If the Defined Benefit category is in an unsatisfactory financial position at an actuarial investigation or the Defined Benefit category's VBI is below its shortfall limit at any time other than the date of the actuarial investigation, the Defined Benefit category 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. The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%.

AASB 119 148(d)(iv)

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.

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.

AASB 119 148 (d)(v)

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.

AASB 119 148(c)

If there is a surplus in the Fund, the surplus cannot be returned to the participating employers.

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.

The 2016 interim actuarial investigation surplus amounts

The Fund's interim actuarial investigation as at 30 June 2016 identified the following in the Defined Benefit category of which [Employer name] is a contributing employer:

- A VBI surplus of \$40.3 million; and
- A total service liability surplus of \$156 million.

The VBI surplus means that the market value of the fund's 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 2016.

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

[Employer name] was notified of the 30 June 2016 VBI during August 2016.

The 2017 full triennial actuarial investigation

A full actuarial investigation is being conducted for the Fund's position as at 30 June 2017. It is anticipated that this actuarial investigation will be completed in December 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 2017 are detailed below:

| Scheme | Type of scheme | Rate | 2017 \$'000 | 2016 \$'000 |
|-----------------------------------|-------------------------------|------------------------------|-----------------|--|
| Vision Super | Defined benefits | 9.5% | [Insert amount] | [Insert amount disclosed in the 2016 note] |
| Vision Super | Accumulation | 9.5% | [Insert amount] | [Insert amount disclosed in the 2016 note] |
| [Insert any other relevant funds] | [Insert relevant description] | [Insert relevant percentage] | [Insert amount] | [Insert amount disclosed in the 2016 note] |

[In addition to the above contributions, [Employer name] has paid unfunded liability payments to Vision Super totalling \$[insert amount paid during the 2016/17 year] (2015/16 \$[insert amount paid during the 2015/16 year]).

There were [\$relevant amount/no] contributions outstanding and [\$relevant amount/no] loans issued from or to the above schemes as at 30 June 2017.

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2018 is \$(insert estimated amount to be paid).

AASB 119 148(d)(iii)