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Service Delivery Division

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Local Government Bulletin

Changes to local government superannuation disclosures in 2008-09 financial statements

Purpose

The purpose of this bulletin is to advise local governments of required changes to disclosures in local governments' 2008-09 financial statements as a result of changes to LGsuper's defined benefits fund.

Background

Council's contribute to the Local Government Superannuation Scheme, LGsuper. The scheme has a defined benefits fund and an accumulation benefits fund.

In June 2009 changes were made to the *Local Government Act 1993* which now allow the trustee of the scheme to levy additional contributions on councils in relation to employees who are in the defined benefits fund. All councils were contacted in June 2009 by LGsuper advising of the changes and the possible impacts on councils. LGsuper has emphasised that at this stage there is no requirement for councils to make any additional contributions.

These changes mean that the defined benefits fund no longer meets the definition of a "defined contribution scheme" as per AASB119 *Employee Benefits*. As a consequence local governments' superannuation disclosures in the annual financial statements need to change commencing in 2008-09.

Suggested wording of the superannuation note in the financial statements is attached. It has been prepared in consultation with LGsuper and the

Queensland Audit Office. The recommended wording replaces that already issued in Tropical Illustrative Accounts for 2008-09 (note 39).

Further information

Any further enquiries on this matter should be addressed to Sue Phillips, Principal Project Officer, Service Delivery Division, Phone: 07 3225 8647, Fax: 07 3225 1350, sue.phillips@dip.qld.gov.au. The Department's postal address is PO Box 15031, City East, Queensland 4002.

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Peta Jamieson
Executive Director
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Attachment to LG Bulletin

Suggested wording of the superannuation note in Local governments' 2008-09 financial statements

Superannuation

The xxx Council contributes to the Local Government Superannuation Scheme (Qld) (the scheme). The scheme is a Multi-employer Plan as defined in the Australian Accounting Standard AASB119 *Employee Benefits*. The scheme has two elements referred to as the Defined Benefits Fund (DBF) and the Accumulation Benefits Fund (ABF).

The ABF is a defined contribution scheme as defined in AASB119. Council has no liability to or interest in the ABF other than the payment of the statutory contributions as required by the Local Government Act.

The DBF is a defined benefit plan as defined in AASB119. The Council is not able to account for the DBF as a defined benefit plan in accordance with AASB119 because the scheme is unable to account to the Council for its proportionate share of the defined benefit obligation, plan assets and costs.

Under amendments to the *Local Government Act 1993* passed in June 2009, the trustee of the scheme has the power to levy additional contributions on councils which have employees in the DBF when the actuary advises such additional contributions are payable - normally when the assets of the DBF are insufficient to meet members' benefits. Clause 56(e) of the scheme's Trust Deed indicates that any increase in the contributions is limited to 6% of the relevant employee's salary.

In its letter to Council dated 5 June 2009 the trustee advised that "at this stage, there is no requirement for Councils to contribute any additional contributions." The letter further stated that "any additional contributions above 12% (standard rate of contribution) that may be required would be on a temporary basis only, and would be requested based on independent actuarial advice. When possible, the contribution rate would reduce at a later date to offset additional costs - for example, councils may be asked to pay 18% contributions instead of 12% for a period, then contributions may reduce to 6% for a compensatory period before returning to the regular 12% contribution rate."

Any amount by which either fund is over or under funded would only affect future benefits and contributions to the DBF, and is not an asset or liability of the council. Accordingly there is no recognition in the financial statements of any over or under funding of the scheme.

The audited general purpose financial report of the scheme as at 30 June 2008 (the most recent available) which was not subject to any audit qualification, indicates that the assets of the scheme are sufficient to meet the vested benefits.

The general purpose financial report discloses that the most recent actuarial assessment of the scheme was undertaken as at 1 July 2006. The actuary indicated that without improvements to benefit conditions, or other unanticipated events, current contribution rates would be sufficient to meet members benefits as they accrue. The next actuarial investigation will be made as at 1 July 2009.

The Queensland Local Government Superannuation Board, the trustee of the scheme, advised that the local government superannuation scheme was a complying superannuation scheme for the purpose of the Commonwealth Superannuation Industry (Supervision) legislation.

The amount of superannuation contributions paid by xxx Council to the scheme in this period for the benefit of employees was \$xxx (and \$xxx in 2008).