



Inquiry into the regulation of auditing in Australia – Questions on Notice from Senator Whish-Wilson: PricewaterhouseCoopers

Retirement plans for former partners

1. What is the nature of payments provided by PwC to former partners through so-called 'retirement plans'? Are they classified as superannuation? Are the payments a fixed amount? What determines the value each former partner receives?
2. Do former partners receiving retirement plans still hold equity in the partnership?
3. Under what conditions would these payments be impaired? Does the overall profitability of the partnership affect the amount paid? If PwC was wound-up or bought-out, would this affect the amount paid?
4. What discretion does PwC have to terminate these retirement payments? Other than disclosing commercially sensitive material, are there certain conditions that would give PwC cause to terminate these retirement payments? For example: would public criticism of PwC by the former partner be grounds to terminate these retirement payments?
5. Has PwC ever impaired retirement payments to a former partner?
6. Under what conditions could these payments be enhanced?
7. Has PwC ever enhanced retirement payments to a former partner above any pre-agreed increases?
8. Does PwC keep account of the current activities of former partners receiving retirement plan payments?
9. Do any former PwC partners who are receiving retirement plan payments have a role—paid or voluntary—with the Australian Government, including any agency, statutory body, or boards that are funded by the Australian Government? Please provide details.
10. What is the total annual value of PwC's payments to former partners through retirement plans?
11. How many former partners receive payments through retirement plans? specific

PwC Response:

We provided to the Committee on 9 December the background for the payments the firm makes to retired partners who qualify under the partnership agreement. The payments recognise the contribution partners make to the firm during their tenure as partners. The payments are subject to a minimum service period of 7 years as an equity partner. The amounts paid depend on their years of service and level of seniority whilst a partner. These arrangements are governed by the terms of the partnership agreement as at the time of an equity partner's appointment.

The annual payment calculated at their retirement date is a fixed amount increased only by CPI in subsequent years. There is no ability for the payment to be increased in a year where the firm achieves a strong financial outcome or in any other circumstances. Retired partners owe ongoing obligations to the firm in relation to matters arising while they were partners of the firm, but otherwise public criticism by a retired partner would not adversely affect a retired partner's retirement payments.



In a year of relatively weaker financial performance the payments are at risk of being reduced, as the total payments made to retired partners are capped at a fixed level of profits.

If a retired partner joins the Board or Executive team of an audit client their annual payments are reduced to a lower amount and that amount is not impacted positively or negatively by the firm's annual performance as long as the firm delivers a nominal profit. These partners are not subject to the cap referred to above.

The partnership agreement imposes an obligation on retired partners to inform us when they are seeking to be appointed to the Board of a listed company which is an audit client. We intend to amend the partnership agreement to require former partners to inform us about certain other public interest roles they undertake.

The payments are not a superannuation payment. The firm does not make superannuation contributions on behalf of partners.

The individuals receiving the payments do not hold equity in the firm.

Our records show the following former partners have roles which involve them receiving fees from the Australian Government:

- Bill Edge - (Chair, Financial Reporting Council)
- Peter Hogan - (member Australian Charities and Not for Profits Commission Advisory Board)

There may be other former partners who have paid or unpaid roles with bodies that are funded by the Australian government.

During the year ended 30 June 2019 approximately 625 former partners received a retirement payment from the firm.