Date: July 30, 2022

Ms Joanna Spencer

Senior Manager

International Public Sector Accounting Standards Board

International Federation of Accountants

529 5th Avenue

New York, New York 10017

RE: Comments on ED 82, *Retirement Benefit Plans*

Dear Ms Spencer,

We welcome the opportunity to comment on Exposure Draft 82, *Retirement Benefit Plans*. Our responses to the specific questions raised in the ED as well as other comments are set out in Appendix A.

Should you have any queries concerning the matters in this submission, or wish to discuss them in further detail, please contact Mr. Abdullah Alhomaida via email at:

a.alhomaida.kfa@mof.gov.sa.

Yours sincerely,

Abdullah Al Mehthil

Head of the Public Sector Accrual Accounting Center and Secretary to the Public Sector Accounting Standards Committee

The Ministry of Finance

Riyadh, Saudi Arabia

Appendix A- Comments on ED 82, *Retirement Benefit Plans*

Specific Matter for Comment 1 - Paragraph 9 (see paragraphs BC10-BC13)

This Exposure Draft (ED) proposes amending the IAS 26 definition of 'defined benefit plans' to include all retirement benefit plans that are not defined contribution plans. the definition proposed for a defined benefit plan is consistent with IPSAS 39, *Employee Benefits* as follows:

'Defined benefit plans are retirement benefit plans other than defined contribution plans'

Do you agree with this proposal? If not. why not?

[**Our Comments**] We agree.

Specific Matter for Comment 2 - Paragraph 9 (see paragraph BC14)

This ED proposes to retain the IAS 26 definition for 'actuarial present value of promised retirement benefits' as it addresses the plan perspective rather than to use the IPSAS 39 definition for 'present value of a defined benefit obligation'.

Do you agree with this proposal? If not, why not?

[**Our Comments**] We agree.

Specific Matter for Comment 3 – Paragraph 10 (see paragraph BC15)

This ED proposes that for defined benefit plans the actuarial present value of promised retirement benefits be recognized and presented on the face of the statement of financial position as a provision for that obligation. This removes two options in IAS 26 which permit the actuarial present value of promised retirement benefits to be only disclosed in the notes to the financial statements or in a separate actuarial report.

Do you agree with this proposal? If not, why not?

[**Our Comments**] We do not agree. In jurisdictions where defined retirement benefit plans have a national coverage, and are managed centrally and sponsored by the government, the defined-benefit liabilities recognized on the face of financial statements could be greatly affected by estimation for benefits that have not been earned through the reporting date. We, therefore, suggest that the draft Standard require disclosure in the notes instead of recognition on the face of the financial statements.

Specific Matter for Comment 4 – Paragraph 11 (see paragraph BC16)

IAS 26 does not specify whether or where the retirement benefit obligations for defined contribution plans should be recognized and presented. To achieve the objective of increased transparency and accountability, this ED proposes that defined contribution obligations should be recognized and presented on the face of the statement of financial position.

Do you agree with this proposal? If not, why not?

[**Our Comments**] We agree. We also suggest adding text referring entities to IPSAS 19, IPSAS 28, and Chapter 5 of the Conceptual Framework to decide the precise nature of defined contribution plans (provisions, distributions to owners, or equity).

Specific Matter for Comment 5 – Paragraph 12 (see paragraph BC19)

IAS 26 allows plan assets to be valued at amounts other than fair value. This ED proposes that plan investments should be measured at fair value.

Do you agree with this proposal? If not, why not?

[**Our Comments**] We agree that the draft Standard should require plan investments to be measured at fair value. However, similar to IAS 26, we suggest that the draft Standard allow plan assets to be measured at another value if an estimate of fair value is not possible.

Specific Matter for Comment 6 – Paragraph 13 (see paragraph BC17)

IAS 26 allows the actuarial present value of promised retirement benefits to be calculated using either current or projected salaries. This ED proposes that only projected salaries should be used.

Do you agree with this proposal? If not, why not?

[**Our Comments**] We agree that the actuarial present value of promised retirement benefits should be calculated using projected salaries. However, we suggest that the standard also require or encourage disclosing the actuarial present value of promised retirement benefits based on current salaries in the notes to indicate the obligation for benefits earned through the reporting date.

Specific Matter for Comment 7 – Paragraphs 15(c) and 19, (see paragraph BC23)

This ED proposes that a retirement benefit plan be required to prepare a cash flow statement, whereas IAS 26 is silent on this. This ED also proposes the cash flow statement be prepared using the direct method.

Do you agree with this proposal? If not, why not?

[**Our Comments**] We agree with the requirement to prepare a cash flow statement.

It also needs to be noted that how the retirement benefit plan classifies contributions and benefits will impact how these transactions are classified in the cash flow statement. Therefore, if contributions and benefits are considered to be revenue and expenses, they will be considered as operating activities. However, if contributions and benefits are considered to be a liability and a reduction in that liability, they may be considered financing activities.

Specific Matter for Comment 8 – Paragraph 27 (see paragraph BC24)

This ED proposes prospective application of the requirements of the Standard, which would require an opening and closing statement of financial position in accordance with the Standard but no comparative figures in other financial statements.

Do you agree with this proposal? If not, why not?

[**Our Comments**] We agree.

Specific Matter for Comment 9 –– Paragraphs BC20-BC21 and Implementation Guidance

Public sector retirement benefit plans are structured and/or regulated in many different ways and jurisdiction-specific requirements on how to account for contributions and benefits may vary. As a result, this ED proposes not to require contributions or benefits to be accounted for as any specific element in the financial statements, which is aligned with the approach taken in IAS 26. Instead, Implementation Guidance and Illustrative Examples are provided to demonstrate different accounting presentations depending on how the contributions and benefits are viewed.

Do you agree with this proposal? If not, why not?

[**Our Comments**] We agree.

Other Comments:

- It is not clear why the ED does not require preparing a statement of financial performance separately from the statement of changes in net assets while this does not allow separate presentation of investment performance effects on surplus or deficit and net assets. We suggest that the IPSASB explore if this is consistent with Chapters 2 and 5 of the Conceptual Framework; IPSAS 1; and IPSASs on Revenue, Leases, Financial Instruments and Investments in Controlled Entities, Associates and Joint Arrangements. If, as a result, the Standard is changed to require a statement of financial performance, consequently the requirement to prepare the cash flow statement using only the direct method should be removed and an illustrative cash flow statement using the indirect method should be added.

- Subject to the above comment, in paragraph 18 we suggest adding an item for "Funding from sponsor" before "Other income" as this can be significant in jurisdictions where central governments contribute to the plan.

- "Should" is used in paragraphs 6, 24, AG30, AG31, AG32, and AG34 of the ED. We suggest using "shall" instead unless this is intentional.